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**MAKING GOVERNMENT WORK: FULFILLING
THE MANDATE FOR CHANGE**

THIRD REPORT

BY THE

**COMMITTEE ON GOVERNMENT
REFORM AND OVERSIGHT**together with
ADDITIONAL VIEWS

DECEMBER 21, 1995.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES
Washington, DC, December 21, 1995.

Hon. NEWT GINGRICH,
Speaker of the House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: By direction of the Committee on Government Reform and Oversight, I submit herewith the committee's third report to the 104th Congress. The Committee's report is based on hearings conducted by its Subcommittee on Government Management, Information, and Technology.

WILLIAM F. CLINGER, Jr.,
Chairman.

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MAKING GOVERNMENT WORK: FULFILLING THE MANDATE FOR CHANGE

DECEMBER 21, 1995.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. CLINGER, from the Committee on Government Reform and
Oversight, submitted the following

THIRD REPORT

On December 14, 1995, the Committee on Government Reform and Oversight approved and adopted a report entitled “Making Government Work: Fulfilling the Mandate for Change.” The chairman was directed to transmit a copy to the Speaker of the House.

I. SUMMARY OF OVERSIGHT FINDINGS AND RECOMMENDATIONS

A. INTRODUCTION

The Committee on Government Reform and Oversight (“the committee”) has primary legislative and oversight jurisdiction with respect to the “overall economy, efficiency and management of Government operations and activities, including Federal procurement,” and to “[r]eorganizations in the executive branch of the Government.” It also has primary oversight responsibility to “review and study, on a continuing basis, the operation of Government activities at all levels with a view to determining their economy and efficiency” (Rules of the House of Representatives, 104th Congress, X,1(g)(6) and (12) and X,2(b)(2)).

In addition to its other oversight responsibilities under Rule X,4(c)(2):

[T]he Committee on Government Reform and Oversight may at any time conduct investigations of any matter without regard to the provisions . . . conferring jurisdiction over such matter upon another standing committee. The committee’s findings and recommendations in any such investigation shall

be made available to the other standing committee or committees having jurisdiction over the matter involved. . . .

Pursuant to this authority, the Subcommittee on Government Management, Information and Technology convened eight oversight hearings to solicit advice and recommendations for (a) changing what the Federal Government does; (b) improving the overall economy, efficiency and management of its operations and activities; and (c) effectively planning, measuring and reporting the results to the American public.

The committee's inquiry reflected public expectation for reform, as expressed by the 1994 election, and including a commitment to balance the Federal budget by 2002 in the "Contract With America." As the "Contract" stated,

Balancing the budget will not be easy. It will require a fundamental restructuring of government. We believe the American people are ready for government that does . . . [fewer] of the wrong things . . . [and] does the right things well.¹

The committee believes that any exercise in "Making Government Work" must begin with an examination of the Federal Government's mission. Fulfilling the commitment to balance the Federal budget in seven years requires a recognition of the fiscal constraints on the Federal Government, whose ambitious tasks have outstripped available public resources. To redress this overextension, a total review of the Federal Government's activities is necessary.

The committee is responding to the prevailing public expectations that provided a mandate to the Congress to consider with care the various Government functions, and to determine whether or not they should continue to be performed and, if retained, how they can be made more effective. As Barone and Ujifusa have noted:

The 1994 election . . . marked a return to old traditions . . . [it] did not entirely transform either the political opinion or civil society; it only provided an occasion and a setting in which opinions which had long been held could be expressed and a society that had been for some time reshaping itself could reveal its new form. . . . It is a country in which political forces and governmental mechanisms tend to ratchet the size of government down, not ratchet it up. . . . Just as Americans decided from long experience with the depression of the 1930s and the prosperity of the 1940s and after[ward] that markets don't work very well and government does, so Americans decided from long experience with the stagflation of the 1970s and the growth of the 1980s and after[ward] that government doesn't work very well and markets do. . . . Not all the forces tending to ratchet down government will always succeed. But they are all working in the same direction.²

The experience of American industry also influenced the committee. In the past decade, corporations and other entities have reex-

¹ Gillespie, Edward and Schellhas, Bob, eds., *Contract with America, The Bold Plan by Rep. Newt Gingrich and Rep. Dick Armey and the House Republicans to Change the Nation*. New York, Random House, 1994, p. 23.

² Barone, Michael, and Grant Ujifusa, "Introduction: The Restoration of the Constitutional Order and the Return to Tocquevillian America," *The Almanac of American Politics 1996*, Washington, DC: National Journal, Inc., 1995, pp. xxiii ff.

amined their roles and redefined their institutional objectives and purposes. Many corporate changes have been facilitated by technology that speeds information to decision makers and thereby reduces the need for traditional hierarchies. While such changes have been wrenching at times to the people in these institutions, the result has been to make American industry far more productive and competitive. The Federal Government has yet to implement a similar transformation on any appreciable scale. While the committee recognizes fundamental differences between the purposes and the cultures of business and Federal Government organizations, it remains receptive to the suggestion that “rethinking” and “re-engineering” methods successfully used in the private sector can be and should be adapted for use in the Federal-Government. We note that between 1990 and 1995 non-farm productivity in the United States grew at a 2.2 percent annual rate.³ If there had been a similar productivity growth in the public sector, there would have been dramatic improvements in the form of additional services and reduced costs.

B. OVERVIEW OF INVESTIGATION

The committee notes that the last comprehensive effort to reorganize the Cabinet was President Nixon’s proposal of 25 years ago. At that time the President provided this assessment of the executive branch, which is equally valid today:

As we reflect on organizational problems in the Federal Government today, one seems to stand out above all others: the fact that the capacity to do things . . . is exceedingly fragmented and broadly scattered throughout the Federal establishment. . . . [T]he wide variety of offices and bureaus, departments and agencies . . . [o]ften . . . trip over one another as they move to meet a common problem. . . . Frequently, they behave like a series of fragmented fiefdoms—unable to focus Federal resources or energies in a way which produces any concentrated impact. Consider these facts:

Nine different Federal departments and 20 independent agencies are now involved in education matters. Seven departments and eight independent agencies are involved in health. In many major cities, there are at least 20 or 30 separate manpower programs, funded by a variety of Federal offices. Three departments help develop our water resources and four agencies in two departments are involved in the management of public lands. Federal recreation areas are administered by six different agencies in three departments of the government. Seven agencies provide assistance for water and sewer systems. Six departments . . . collect similar economic information—often from the same sources—and at least seven departments are concerned with international trade. While we cannot eliminate all of this diffusion we can . . . bring similar functions under common commands.⁴

³Farrell, Christopher, *et al.*, “Riding High,” *Business Week*, Oct. 9, 1995, pp. 134–135.

⁴Nixon, Richard M., President of the United States, Message to the Congress, March 25, 1971, “President’s Departmental Reorganization Program.”

One could read the above quotation and believe that President Nixon was describing today's Federal Government. In fact, the Cabinet of 1995 has three more departments than did the Nixon Cabinet, and Federal programs and agencies have continued to proliferate virtually unchecked. The executive branch of the Federal Government has not undergone a comprehensive, systematic review of its missions, services, and organization since the Nixon Administration. The similar thrusts toward consolidation in President Nixon's 1971 plan and The Heritage Foundation's 1995 proposal suggest that many of the problems of duplication, proliferation, inefficiency and waste within the Federal Government are as critical today (if not more so) as they were a quarter century ago.

The Nixon reorganization plan, President Carter's Personnel Management Project which led to the Civil Service Reform Act of 1978, the Grace Commission under President Reagan, and most recently President Clinton's National Performance Review [NPR] effort have each influenced the committee's report. The committee also reviewed material and heard testimony on departmental restructuring from scholars at several research and public policy organizations—including The Heritage Foundation,⁵ and The Brookings Institution,⁶—and the various task forces of the House Republican Freshman. These efforts have as their common purpose the alignment and consolidation of the existing related functions of the Federal Government, and the streamlining of the Cabinet departments. However, the Heritage and House Freshman plans place considerable emphasis on reducing the scope of Federal Government activities. Because of the Administration's management responsibilities for the Federal Government, the point of reference for all material reviewed was the National Performance Review (NPR), Phases I and II.

The series of eight hearings began on May 2, 1995, with an overview of the NPR process. The committee focused next, on May 9, on the appropriate role of Federal executive leadership in strengthening the management of Cabinet level departments. The third hearing, on May 16, 1995, turned to consolidating and restructuring the executive branch, assessing alternative ideas for rearranging or reducing several departments and agencies. In its fourth session, on May 16 and 23, 1995, the committee examined the consolidation of a large number of Federal programs and organizations. Attention turned in June to the Federal Government's field establishment. After reviewing several types of possible corporate structures for Federal programs such as aviation, electric power, and transportation, on June 6, the committee heard testimony from several regional administrators on June 13, 1995, to understand their roles and hear their suggestions, then adjourned to Chicago on June 19 for a firsthand look at the Federal Government's operations from the field perspective. The seventh hearing, on June 20, 1995, in Washington, emphasized improving governmental results through performance measurement, benchmarking and reengineering, as many private corporations have done. The hear-

⁵ Hodge, Scott A., Ed., *Rolling Back Government: A Budget Plan to Rebuild America*, Washington DC, The Heritage Foundation, 1995.

⁶ Kettl, Donald F., *Reinventing Government? Appraising the National Performance Review*, a report of The Brookings Institution's Center for Public Management, August 1994.

ings ended on June 27, 1995, focused on agencies' preparation for compliance with the Government Performance and Results Act of 1993, or GPRA.

This report details the above eight hearings and expresses the committee's views on resultant findings.

C. FINDINGS

Based on the investigation and oversight hearings conducted by the Subcommittee on Government Management, Information and Technology, the committee finds as follows:

1. *The Management of the Federal Government Needs Improvement.*

(a) The capacity of the President as the chief executive officer of the Federal Government and its principal manager has been diminished over several Administrations. The Executive Office of the President has abrogated its responsibility to oversee and improve the Government's management structure.

(b) The capacity available to the President in the Office of Management and Budget [OMB] to reform or improve management has steadily declined and now barely exists, despite a competent Director of OMB and a Deputy Director for Management, whose talents in this area are underutilized. Federal management organization, oversight authority, and general influence have been consistently overridden by recurring budget crises and budget cycle demands, despite conscientious intention to give "Budget" and "Management" equal voice within OMB.

(c) The NPR, in its ad-hoc and episodic approach to management issues, reveals the weakened state of management capacity of the Executive Office of the President.

(d) The NPR-inspired announcement of a reduction of over a quarter-million Federal jobs may have been warranted; however, without first having a solid empirical rationale for doing so and not knowing where or how, it reflected a lack of strategic vision as to the Federal Government's role, and as such it seriously eroded Federal workers' morale, productivity, and planning for the future.

(e) The capacity of the Office of Personnel Management to provide leadership to a revitalized career service has been seriously impaired.

(f) Short-term political appointees have layered and "thickened" the Federal Government's upper echelons of organization to a point where productivity, management, and continuity of operation have become seriously affected.

(g) Some potential candidates for political appointment believe that service in Federal organizations will hinder their careers, imposing a protracted and intrusive nomination process as well as numerous restrictions on financial and employment activities during and following Federal Government assignments. As a result, the pool of available talent qualified for appointment and willing to serve has been diminished.

(h) Qualified people considering careers in public administration are discouraged from Federal career employment by layers of political appointees of uneven quality precluding advancement to positions of senior responsibility.

(i) Career Federal public administrators have a long record of faithfully executing clearly established policy and rendering effective political leadership. However, political appointees as a group have tended to display more loyalty to individual political sponsors and special interests than to the President, who is elected by and ultimately accountable to the people.

(j) Employee-buyout programs in Federal organizations have not worked as well as intended, resulting in the loss of employees with the most marketable skills, leaving in the workforce many of the poorer performers.

(k) Programs for Federal-employee professional education, training and development are vital to a smaller workforce adopting modern management methods and achieving desired productivity improvements.

(l) The Federal Government must follow the best practices of private and public organizations for exploiting information technology in reforming management, reducing size, and raising productivity and market competitiveness. A recent General Accounting Office report provides valuable insights on how the Federal Government can lower costs, improve productivity, and provide better services to its citizens.⁷

2. The Federal Intergovernmental Roles are Poorly Defined.

(a) The Federal role has evolved in a patchwork manner. The Federal Government lacks a clear and comprehensive statement of its proper role. The result is similar redundant programs throughout disparate departments and agencies.

(b) Many citizens view the Federal Government as having overreached its proper role, by “meddling” in affairs such as elementary and secondary education (better left to States and communities), marketing and distribution of energy resources (better left to market forces), and applied research and development (better left to private investment and competition).

(c) Many State governments are willing to risk accepting large Federal block grants, with fewer dollars, in return for greater flexibility and fewer restrictions. There is some concern that any residual reporting burdens and controls from Washington may interfere with States’ roles and as such constitute an “unfunded mandate,” contrary to a law sponsored by this committee.

(d) In the current environment many agencies and States are trying to develop program partnerships. Federal-State program partnership agreements reached a high point during the Johnson and early Nixon Administrations. State and Federal leaders need to be aware that those intergovernmental agreements later deteriorated because roles and responsibilities were not clearly defined and accepted by all interested parties. Another cause was that the Federal Government seized a decision-making role disproportionate to the resources it provided.

⁷United States General Accounting Office, “Managing for Results: Experiences Abroad Suggest Insights for Federal Management Reforms,” GAO/GGD-95-120, May 1995.

3. Organization of Federal Functions is Uneven and Duplicative.

(a) No Cabinet-level department has been eliminated outright in our Nation's history, although many have been reorganized, renamed, combined, or split.

(b) Today's Federal Government is even more enmeshed in red tape, replicated functions and controls than it was in 1971, when President Nixon tried unsuccessfully to organize and streamline Cabinet departments.

(c) The proposed "Department of Commerce Dismantling Act of 1995" contains a model for dismantling any high-level Federal organization a transitional organization within the Office of Management and Budget.

(d) Approximately a million Federal employees work in some thirty thousand field offices outside of Washington. Although some field-offices only have five or fewer staff, closing them has consistently proven a difficult, almost intractable political problem. The committee notes progress by the U.S. Department of Agriculture in addressing the problem.

4. Public Accountability is Weak.

(a) The National Performance Review [NPR] contributed to identifying the need to improve the Federal Government and lower its operating costs.

(b) By not establishing first what activities the Federal Government should be performing, the NPR was flawed from the outset and did not achieve enough progress.

(c) NPR neglected to place sufficient emphasis on fiscal accountability by failing to address the Federal Government's responsibility for stewardship of public resources.

(d) The ad-hoc, even disjointed, nature of NPR is a telling sign of the disconnect between policy and management, evidence atrophy of the tools of management, and an admission that the Presidency has no organized capacity to manage the executive branch.

(e) The NPR recommended a doubling of the existing 1-to-7 supervisory span of control to a 1-to-14 or 1-to-15 supervisor to subordinate ratio. This recommendation was without appropriate foundation and ignored the Government's widely varying missions, and threatens public accountability.

(f) With more Federal work being done under contract with private vendors, effective contract administration is critically important in ensuring efficiency, effectiveness, and accountability.

(g) The growth of "contract government" is a direct by-product of the emphasis on personnel reduction. As successive administrations have sought to limit or reduce the number of Federal employees, more and more activities have been contracted out.

(h) The experiences of other foreign and federal, State and local governments in carrying out significant management and accountability reforms are valuable to Federal agency managers as they implement the Government Performance and Results Act of 1993 [GPRA].

(i) Government corporations and other Government-sponsored enterprises have assumed roles and responsibilities very different from those for which the Government Corporation Control Act of 1945 was intended. Today, a conceptual framework is needed for

setting up these kinds of enterprises and centralized oversight of their management operations.

(j) Executive branch accountability is made more difficult by the complex congressional budget process and by additional legislative branch restrictions and controls placed on Government agencies, such as prohibitions on closing outdated Federal field offices.

D. RECOMMENDATIONS

Based on the foregoing findings, the committee recommends as follows:

1. Strengthen the President's Role as Chief Executive Officer of the Executive Branch.

(a) Management of the Federal Government should be a Presidential priority. Among the President's many roles is the responsibility to serve as chief executive officer or general manager of the Federal Government. Many broad initiatives intended to make the Federal Government work better depend on the commitment by the President and his staff in the Executive Office of the President. By approaching the Federal Government almost exclusively from a budget or a policy perspective, Presidents limit their capacity to reform management in the Federal Government.

(b) The President, acting Jointly with Congress through a Federal management office, should establish intergovernmental partnerships, with clearly defined Federal and State roles and responsibilities, and allow local Federal managers the authority and flexibility needed to assist State and local officials in managing devolved programs, functions, and resources.

(c) To make the President's executive office more accountable to the public, Congress should establish an Office of Inspector General in the Executive Office of the President.

2. Establish an Office of Management.

(a) To enhance the President's management capability throughout the executive branch, Congress should establish in the Executive Office of the President a top-level management and organization oversight office headed by an administrator who has direct access to the President. Sustained attention to management issues beyond recurring budget crises is vital to ensure effectiveness. The new Federal management office would combine the management functions of the OMB, the residual policy and oversight functions of the Office of Personnel Management, and the policy functions from the General Services Administration into an entity separate from but equal in stature to the remaining Office of the Budget.

(b) The executive branch is in serious need of an office with responsibility for departmental reorganizations such as the proposed dismantling of the Department of Commerce. The current legislative initiative in that regard will be a model for managing large-scale reductions in the Federal Government's organizational structure and scope of work.

(c) An Office of Management could encourage the implementation of the strategic information management and technology practices increasingly common in quality private and public organizations. It could stress the need to focus a concentration of energy on tech-

nology improvements that attain goals; and assert senior management control over technology investment decisions.

(d) Executive agencies should exploit, publicize, and replicate successful private sector ventures in making Federal Government organizations work more effectively, drawing upon past successes.

3. Convene a Commission on Federal Reorganization.

(a) Congress should establish a blue-ribbon inquiry commission of experts from the business, academic, and nonprofit sectors and Federal, State and local government to recommend to the President and Congress in early 1997: (i) ways to organize more efficiently the functions the Federal Government performs, and (ii) changes in law that would reduce, transfer, or eliminate Federal functions. If resources permit, such a commission should produce a reorganization plan.

(b) Such a commission should apply the guideline criteria for agency elevation to Cabinet department status which were developed in 1988 by the National Academy of Public Administration [NAPA].⁸ Such a review ought to result in a new alignment and grouping of the tasks and functions of the Federal role by major purpose.

(c) Congress should concurrently provide the President broad authority, including optional fast-track authority, to restructure executive branch departments and agencies, similar to past (and now expired) Reorganization Acts.

(d) Congress should be fully involved in the consolidation of the many Federal programs it enacts and funds; the proposed commission should look for additional opportunities to consolidate or combine Federal programs, and make recommendations accordingly.

(e) Once changes have been made in the structure of the executive branch, Congress should conform its own internal committee organization and jurisdictions to parallel the executive branch changes.

4. Reshape the Federal Civil Service.

(a) Congress should proceed with legislation that would reduce the allowable number of political appointees to an initial level of 2,000—aimed principally at Schedule C (not subject to Senate confirmation) positions—and set lower targets for future years as additional executive branch organizations are consolidated or abolished.

(b) Congress should appropriate the professional education, training and development funds for executive agencies, not as separate line items, but as an integral part of total personnel costs. That would afford managers the flexibility to choose between training and hiring to upgrade collective organizational skills.

(c) Any future Federal employee “buyout” legislation should be limited to serving the needs of the downsized Federal Government by focusing agency buyouts on those with less-needed skills, functions, and capabilities.

⁸National Academy of Public Administration, “Evaluation of Proposals to Establish a Department of Veterans Affairs: A Report,” Washington, D.C., 1988.

5. *Strengthen Public Accountability.*

(a) Both the President and Congress should complete the work to implement the Government Performance and Results Act, in order to make the executive branch both performance-driven and accountable. The Act's performance measurement provisions ought to be used in all steps of the budget and management process.

(b) To make public accountability in the executive branch less cumbersome and counterproductive, Congress should simplify the present complex structure of 13 separate appropriations bills by combining them into a lesser number, possibly comparable to the internal budget review structure in the Office of Management and Budget. Congress should adjust its own internal authorizing and appropriating committee structure correspondingly.

(c) Congress should amend the Government Corporation Control Act of 1945 to raise the efficiency and effectiveness of the Federal Government's business-type operations and organizations and to set standards consistent with today's marketplace conditions.

(d) In its quest to attain the objective of balancing the Federal budget by fiscal year 2002, Congress must recognize three critical needs: (i) to preserve the Federal Government's accountability to the governed throughout the transformation process; (ii) to foster that objective by making investments in human and technological development during that process; and (iii) to accept the hard lessons learned by industry that workforce strength is to be cut only *after*—not before or while—the Federal roles have been determined and organizational structures have been reduced or eliminated.

II. REPORT ON THE COMMITTEE'S OVERSIGHT REVIEW

A. BACKGROUND

1. *The Need for Rethinking Government.*

In preparing for its investigation the Subcommittee on Government Management, Information and Technology noted the following recommendations from author and management expert Peter Drucker:

Of the 384 recommendations of ways to reinvent government identified by the Vice President in 1993, about half are being proposed in the budget for fiscal year 1995. If all these recommendations are accepted by Congress, they should result in savings of about \$12.5 billion over two years . . . [but] an annual saving of \$6 billion . . . be a cut of no more than two tenths of one percent of the budget. . . .

Government has outgrown the structure, the policies and the rules designed for it and still in use. . . . The first reaction in a situation of disarray is to do what Vice President Gore and his associates are now doing—patching. It always fails. The next step is to rush into downsizing. Management picks up a meat-ax and lays about itself indiscriminately. . . . In many . . . cases, downsizing has turned out to be . . . “amputation before diagnosis.” The result is always a casualty. . . . The way to get control of costs is not to start by reducing expenditures but to identify the activities that are productive that should be strengthened, promoted and expanded. . . . This has been done often enough in all kinds of orga-

nizations—businesses, hospitals, churches, and even local governments—that we know it works. . . . Continuing with activities that we would not now choose to begin is wasteful. They should be abandoned.⁹

2. *The National Performance Review.*

On March 3, 1993, President Bill Clinton, in announcing the NPR, told the Nation:

Our goal is to make the entire Federal Government both less expensive and more efficient, and to change the culture of our national bureaucracy away from complacency and entitlement toward initiative and empowerment. We intend to redesign, to reinvent, to reinvigorate the entire national government.¹⁰

The committee supports the notion of cultural change toward initiative and empowerment. Accepting the business ethic of pleasing one's customers—the taxpayer—is a worthy pursuit in a democracy. However, no initiative should be pursued at the expense of fiscal accountability. Without determining government's proper role, efforts to redesign, reinvent, and reinvigorate any part of the Federal Government are likely to fail. Those concerns underscore the findings, recommendations, discussion and conclusions of this report.

3. *Additional Factors Prompting This Investigation.*

The majority of the committee views the 1994 electoral mandate as a reflection of the electorate's changed expectations as to the appropriate role of the Federal Government. We note that the committee jurisdiction contains several areas of the "Contract With America," including the need to eliminate unfunded mandates on State and local governments and to rationalize Federal Government regulations.

The international trend toward devolution and performance-driven government focused the committee's attention on the recent accomplishments of other, smaller nations whose economies and governments had fallen into even more serious disarray than our own. The successes of the Government of New Zealand in reestablishing creditworthiness through a fiscally disciplined program of transferring nationalized functions to government corporations and private industry were particularly promising. The fact that these accomplishments of large-scale management reforms were possible in the public sector is pertinent to current U.S. Government reform efforts.

B. PROCEEDINGS OF THE SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY

1. *May 2, 1995, Hearing on the NPR.*

At that hearing, testimony was received from representatives of the Office of Management and Budget [OMB], the General Accounting Office [GAO], the governments of New Zealand and Or-

⁹Drucker, Peter F., "Really Reinventing Government," *Atlantic Monthly*, vol. 273, no. 2 (Feb. 1995), pp. 49–61, citing Gore, Albert P., Jr., Vice President of the United States, *Creating a Government That Works Better and Costs Less—The Report of the National Performance Review*. New York, Penguin Books USA, 1993, p. 292.

¹⁰Gore, *op. cit.*, p. xxix.

egon, and four leading public policy research group analysts. The National Performance Review [NPR] had two phases, the first to make government work better and cost less, and the second to have Cabinet departments fundamentally reevaluate missions, goals and objectives. Witnesses testified on the NPR's role and mission and on whether the NPR had suitable benchmarks for evaluating its progress, had met expectations as implemented so far, and could likely attain its stated objectives.

Alice M. Rivlin, Director, and John Koskinen, Deputy Director for Management, OMB, offered testimony for the Clinton administration, focusing on assessing the results achieved to date from the NPR and supporting its effectiveness in improving executive branch departments and agencies. It was noted that Vice President Gore had encouraged agencies to adopt the review's 1,200 recommendations from its first phase. Dr. Rivlin urged congressional funding to continue NPR's work through its second phase.

Charles A. Bowsher, Comptroller General of the United States, GAO, applauded the concepts and aims of the NPR. However, he cited shortcomings such as the failure of the National Performance Review to deal with three-fourths of what the GAO considered to be the most important management problems in Federal agencies, including acquisition systems at the Federal Aviation Administration and defense weapons system acquisition and inventory management. He also advocated clearer statements of goals, better use of information, and a tighter focus on outcome-based management.

Tony Dale, Budget Manager of the New Zealand Treasury (in his capacity as Harkness Fellow, 1994–95, the Commonwealth Fund), discussed his government's management reforms, which included privatization of some public sector functions and the consequent development of responsive government corporations. This effort led to reduced government outlays, low inflation, a growing economy, and a ten-year turnaround from a nine percent deficit to a seven percent surplus in the budget of New Zealand.

Duncan Wyse, Executive Director, Oregon Benchmarking Project, recalled his State's recent reforms and advocated similar reforms in both the legislative and executive branches of the Federal Government, noting that improvements at all levels must acknowledge that the Federal agenda is largely implemented by State and local governments.

Dwight Ink, President Emeritus, Institute of Public Administration, expressed frustration with what he called NPR's feeble implementation progress to date, noting severe weakening of the leadership and oversight capacities of OMB and the Office of Personnel Management [OPM], widely divergent quality of agency reviews, an initial focus on processes long before deciding missions and roles, and failure to give attention to managerial professionalism and to protection from political manipulation and abuse of the new flexibility which he strongly supported.

R. Scott Fosler, President, National Academy of Public Administration, conveyed cautious agreement with the NPR's scope and purpose, noting that to be successful NPR would need to address key areas such as agencies' capacity, a coherent framework, and the Government's accountability to the public.

Donald F. Kettl, Senior Nonresident Fellow, The Brookings Institution, and professor at the University of Wisconsin, Madison, countered that the NPR had already achieved substantial progress and savings so far, but warned that its progress could not be considered self-sustaining and that many unresolved questions remained.

Herbert N. Jasper, Senior Associate, McManis Associates, praised many accomplishments of the NPR but expressed misgivings about its lack of analysis, inconsistencies between statutory mandates and available resources, characteristic “government-bashing” tone in most supplemental reports, and a pervasive top-down, autocratic approach in its recommendations.

2. May 9, 1995, Hearing on Strengthening Departmental Management.

At that hearing, testimony was received from the GAO, two Clinton administration Cabinet officials, two former Cabinet officials, and a public policy research group analyst.

Thomas P. Glynn, Deputy Secretary of Labor, explained Federal management and “reinvention” initiatives in his agency, including a newly proposed chief information officer position. The committee questioned the diffusion of management accountability throughout the department among its deputy secretary, the Secretary’s chief of staff, inspector general, assistant secretary for management, and chief financial officer positions, each of which had some part of the overall management role.

George Munoz, Assistant Secretary for Management and Chief Financial Officer of the Treasury testified on the current Federal management and “reinvention” initiatives within and outside his agency, including the need to emphasize the three principles of customer service, strategic planning, and streamlining that had guided the department’s management improvements.

Assistant Comptroller General Johnny C. Finch, General Government Division, and Gene L. Dodaro, Accounting and Information Management Division, GAO, reviewed the critical steps needed to strengthen Federal agency management, among them clearly defining missions, strengthening financial management, improving operational effectiveness through technology-based reengineering, and building capacity to manage the Federal workforce. Dodaro believed that government reform efforts abroad have succeeded in large part because they have addressed and solved problems of fixing accountability for results—a measure missing or omitted from the NPR report.

Alan L. Dean, former Assistant Secretary of Transportation for Management and coordinator of President Nixon’s plan for departmental reorganization, and William D. Hansen, former Assistant Secretary of Education for Management and Chief Financial Officer, discussed proposals for how the management of today’s Federal departments could be strengthened. Dean noted increasing numbers of noncareer officials throughout the Federal workforce and a loss of Government corporation management expertise occasioned by OMB’s most recent restructuring, and proposed the creation of a separate Office of Federal Management, outside OMB. Hansen outlined the effects of block-granting educational programs on the

internal organization and structure of the Department of Education in the early 1980s.

Roger L. Sperry, Director of Management Studies, National Academy of Public Administration, summarized the Academy's recent reports and other relevant work on the strengthening of Federal departmental management. He identified six essentials of Federal Government reform: strengthening Federal leadership, harnessing information technology, combining and integrating like functions, making performance the driving factor, streamlining Federal field structures, and improving legislative-executive branch relations.

3. May 16, 1995, Hearing on Consolidating and Restructuring the Executive Branch.

At that hearing, testimony was received from four Members of Congress, one former Cabinet official, and three public policy research group analysts.

Representative Robert S. Walker of Pennsylvania, Chairman of the Committee on Science, advocated a Department of Science. The proposed department would combine science elements of the existing Departments of Commerce and Energy as those two agencies are phased out. The department would also include the National Science Foundation, National Aeronautics and Space Administration, Environmental Protection Agency, and the United States Geological Survey. Chairman Walker noted that an independent department would emphasize the role of science in government decision making.

Representative Sam Brownback of Kansas explained the overarching framework under which the Freshman Task Forces on Departmental Restructuring were considering agency reductions. His group endeavors to make the Federal Government smaller, more efficient, and more focused, based on four principles: localize, privatize, consolidate, and eliminate.

Representative Dick Chrysler of Michigan presented his plan for dismantling the Department of Commerce, H.R. 1756. He described the Department of Commerce as a loose collection of more than 100 programs serving only 1,000 customers. He noted that only a small percentage of the department's budget had been used to support trade.

Representative Todd Tiahrt of Kansas argued for eliminating the Department of Energy. After recounting its history since being created in 1977, he noted that the department's rationale for existence seemed to have evolved over time and questioned whether the department's current missions justified a Cabinet level agency.

Robert A. Mosbacher, former Secretary of Commerce, endorsed the elimination of his former department. He noted that 60 percent of the agency budget and more than 35,000 members of the work force were devoted to activities other than promoting trade.

Scott A. Hodge, Grover M. Hermann Fellow in Federal Budgetary Affairs, The Heritage Foundation, summarized the recommendations of the Foundation's book, *Rolling Back Government*. The Heritage proposal would shrink the number of Cabinet agencies from 14 to 5, eliminating the Departments of Agriculture, Commerce, Education, Energy, Housing and Urban Development,

Interior, Labor, Transportation, and Veterans Affairs, and retaining the Departments of State, Defense, Treasury, Justice and Health and Human Services.

Jerry Taylor, Director, Natural Resources Studies, Cato Institute, focused his testimony on eliminating the Department of Energy. He argued that energy production and distribution was better directed by market forces than by government regulation. Taylor proposed shifting Energy's weapons responsibilities to a new sub-cabinet National Nuclear Weapons Administration, and either terminating or privatizing the department's remaining functions.

Herbert N. Jasper, Senior Associate, McManis Associates, provided a range of viewpoints concerning the consolidation and restructuring of the executive branch, and proposed the creation of a Commission on Executive Reorganization. The body would have six months in which to propose a Cabinet reorganization plan. The commission would review program restructurings in order to devise an appropriate organizational structure.

4. May 16 and 23, 1995, Hearing on Combining Federal Programs and Organizations.

At that hearing, testimony was received from representatives of the GAO; the Departments of Energy, Education, and the Treasury; three former Secretaries and two former Under Secretaries of Energy; and two public policy research group analysts.

Secretary of Energy Hazel R. O'Leary, contended that matters such as national security protection, nuclear danger reduction, weapons site cleanup, environmental management, science and technology management, and energy enhancement were Federal concerns justifying retention of the department, albeit somewhat smaller. O'Leary rejected as unwieldy and ill-advised a conceptual proposal for a Department of Science.

Donald P. Hodel, former Secretary of Energy under President Reagan, characterized the department as meddlesome and unsuited to the market-economy functions of producing and generating energy.

Admiral James D. Watkins, U.S.N. (ret.) former Secretary of Energy under President Bush, voiced concern for effective stewardship of the Nation's nuclear energy program, without siding for or against a Department of Energy. Watkins recommended convening a team of experts to recommend disposition of the department's functions.

John S. Herrington, former Secretary of Energy in the Reagan Administration, proposed to dismantle the department by placing nuclear weapons responsibilities under a new Under Secretary of Defense, privatizing the Naval petroleum reserves and five electrical power marketing administrations, and terminating energy conservation and research and development programs.

Shelby T. Brewer, former Under Secretary of Energy during the Reagan Administration, stated that the department's original mission of energy development, conservation, and demonstration had degenerated to ten percent of its present array of programs and functions, which, he said, now included environmental management, basic science, and biological medical research.

Donna R. Fitzpatrick, former Under Secretary of Energy during the Bush Administration, urged eliminating the department and assigning nuclear weapons responsibility to a sub-Cabinet agency independent of the Department of Defense.

Marshall S. Smith, Under Secretary of Education, supported retention of the Department. He claimed that Education had the smallest proportion of administrative costs and the lowest ratio of employees to total budget among Cabinet departments. But basically, he saw Federal involvement in education as a matter of fulfilling a national interest because it supports democracy and the economy.

Donald Wurtz, Chief Financial Officer of the Department of Education, provided testimony and answered questions concerning the department's need to improve the collection of student loan debts.

Chester E. Finn, Jr., John Olin Fellow, the Hudson Institute and former Assistant Secretary of Education during the Reagan Administration, objected to Federal meddling in American education and advocated either block-granting Federal education programs to the States or transferring the Department of Education's missions and functions elsewhere within the Federal Government.

William D. Hansen, Executive Director of the non-profit Education Finance Council and Assistant Secretary of Education for Management in the Bush Administration, cited the near doubling of categorical Federal education programs in 14 years as a prime example of the need to consolidate overlapping and duplicative Government programs, reduce Federal intrusion upon local education, and cut back departmental staff.

George Munoz, Assistant Secretary for Management and Chief Financial Officer of the Treasury, described management reforms and recent improvements in financial management practices that had been implemented in the Department of Education.

Paul Posner, Director, Budget Issues, Accounting and Information Management Division, GAO, suggested that the opportunity was ripe for raising governmental operating efficiency and improving performance, by consolidating programs with similar objectives and identifying and eliminating duplicative and conflicting program requirements.

5. June 6, 1995, Hearing on Corporate Structures for Government Functions.

At that hearing, testimony was received from the Administrator of the General Services Administration [GSA], the Deputy Administrator of the Bonneville Power Administration, a former Defense Secretary, and four proponents of Government corporations.

Donald H. Rumsfeld, former Secretary of Defense under President Ford and chief executive officer of General Instruments Corporation, offered testimony concerning the general concept of using corporate structures for Federal Government functions, stressing the critical importance of first questioning an agency's mission and then restructuring based on that review. Involved in several successful corporate restructurings, Rumsfeld emphasized that restructuring an agency without first reviewing its mission would be nothing more than wasted effort.

Roger W. Johnson, Administrator of General Services, explained the ongoing reorganization of his agency, stating that there were a number of line management Federal jobs whose incumbents' performance could be rated according to profit or loss results. He stressed that "governing by process" rather than by results, encourages risk aversion among Federal managers.

Jack Robertson, Deputy Administrator, and Paul Majkut, General Counsel, Bonneville Power Administration, suggested Government corporation status for their agency, citing competition from local power producers and increased compliance costs of preserving endangered species as prime factors for the change.

Daniel V. Flanagan, Jr., President, Flanagan Consulting Group, proposed legislation to form a Defense-related Government corporation, to be known as the Forrestal Corporation, which would also funnel private sector investments into Federal energy improvement required by the 1990 Energy Act.

Harold Seidman, Senior Fellow, National Academy of Public Administration and drafter of the Government Corporation Control Act of 1945, presented an update of the act to improve oversight of Government corporations through the strengthening of Government expertise in keeping with the times.

Jack Johnson, President of the Professional Airways Systems Specialists, and Barry Krasner, President of the National Air Traffic Controllers Association, two unions, endorsed formation of a Government, rather than a privatized, air traffic control corporation, as more favorable to employee interests.

6. June 13 and 19, 1995, Hearing on Streamlining Federal Field Structures.

At that hearing, testimony was received from representatives of the Departments of Agriculture and Transportation; the newly independent Social Security Administration [SSA]; three retired public administrators; an employee advocacy group president; as well as eight regional directors from the General Services Administration and the Departments of Defense, Housing and Urban Development, State, Transportation, and the Treasury.

Dwight Ink, President Emeritus of the Institute of Public Administration, offered several recommendations for streamlining Federal field structures: (1) that field structure reforms be the result of comprehensive analysis of agency missions and activities, addressing the three interdependent dimensions of structures, systems, and people; and considering the total Government-wide impact of all agencies on communities and the public; (2) that agency personnel be appropriately trained for their changed responsibilities; and (3) that a number of the higher level career positions be redesigned and shifted from headquarters to the field.

Alan L. Dean, Senior Fellow, at the National Academy of Public Administration, advocated decentralizing agencies' management to their lowest practicable levels for greatest responsiveness and best use of resources, adding that no single model for field structure could suffice for all departments and agencies but that field offices at every level should reflect an agency's mission and impact on the public.

Charles F. Bingman, visiting Professor of Public Administration, at The George Washington University, decried the entrenched resistance to change which greatly impaired Federal flexibility and initiative to reorganize operating structures. He noted that field structures needed to be able to adjust to reflect the changing characteristics of the programs being administered.

Wardell C. Townsend, Jr., Assistant Secretary of Agriculture for Administration, reported on the President's Management Council *Federal Field Office Study* and on his department's progress in restructuring its field offices, proposing four general guidelines for restructuring: (1) maintain government presence at points of service delivery only where face-to-face contact is necessary; (2) upgrade service by exploiting technology; (3) centralize back-room record-keeping and processing operations for greatest efficiency; and, (4) eliminate unnecessary layers of control.

Shirley Sears Chater, Commissioner of the Social Security Administration, explained her agency's reappraisal of its own field structure and announced plans to abolish or merge five of ten regional offices and by 1999 to increase the number of employees each supervisor was responsible from a 7:1 to 15:1 ratio. The latter was possible as a result of a 5-year \$1.1 billion investment in information technology.

Mary Barrett Chatel, President, National Council of Social Security Management Associations, wanted to go beyond the Social Security Administration's plan, by redistributing to the field offices at least 30 percent of jobs located at the agency's headquarters and regional offices.

D. Lynn Gordon, Miami district director, U.S. Customs Service, Department of the Treasury, and George Rodriguez, Houston area coordinator, Department of Housing and Urban Development, reported successes in improving customer satisfaction under the National Performance Review. Each agency had succeeded in an initiative to improve "customer service" through enhanced administrative flexibility and adept use of communication skills with individual clients and institutions.

William Burke, Great Lakes regional administrator of the General Services Administration, and chair of the Chicago Federal Executive Board (which coordinates certain activities of Federal agencies in the region), outlined the agency's initiative for controlling administrative costs through telecommuting (work at home) programs and by pooling of different agencies' overhead resources, a concept called the Cooperative Administrative Support Unit [CASU] program. He also briefed the committee on the extent of the regional Federal presence located in the Chicago area.

Gretchen Schuster, Chicago Regional Director, Passport Agency, Department of State, and also a Federal Executive Board member, detailed the board's activities in coordinating the actions of 154 member agencies in the Chicago area.

Joseph A. Morris, former General Counsel for Office of Personnel Management urged further decentralization of Federal Government work away from Washington, more thorough regional coordination by Federal Executive Boards of agency field office programs and activities, and greater reliance by Washington headquarters offices on the advice of those Federal managers in the field.

Michael P. Huerta, Associate Deputy Secretary of Transportation and Director, Office of Intermodalism, Department of Transportation, presented his agency's plan to combine management of surface transportation and civilian maritime functions in an Intermodal Transportation Administration. He indicated, though, that the agency intended to defer decisions on field offices until after the general intermodal plan had been approved.

Kenneth A. Perret, Garrome Franklin, and Donald Gismondi, Federal regional administrators in Chicago for highways (FHA), aviation (FAA), and transit (FTA), described regional transportation and infrastructure issues and the need for increased cooperation to effectively administer grants under the 1991 Intermodal Surface Transportation Efficiency Act.

Colonel Richard Craig, North Central Division Engineer, U.S. Army Corps of Engineers, explained the Corps headquarters' responsibility for budget and broad policy issues the division (regional) offices' intergovernmental contacts and quality management emphasis, and the district (field) elements' direct operational responsibility for civil works facilities such as dams and for environmental regulatory compliance.

7. *June 20, 1995, Hearing on Performance Measurement, Benchmarking and Reengineering.*

At that hearing, testimony was received from representatives of the General Accounting Office [GAO], three research groups, two State governments, and two consulting firms.

Donald F. Kettl, Center for Public Management, The Brookings Institution, and professor at the University of Wisconsin, Madison, endorsed the potential of performance measurement to measure success in terms of results achieved. He also elaborated on the utility of performance measurement in revealing to citizens how tax dollars are delivering services and to Congress how programs are producing results. Kettl added that performance measurement is about communication and management rather than number crunching, requires a long term view, and addresses both outputs, which are comparatively easy to measure, and outcomes, which are more difficult.

Harry P. Hatry, Director of State and local government research programs at the Urban Institute, recommended that the committee seek and use information on program quality and outcomes; that it coordinate with authorizing and appropriations committees in reviewing specific agencies' performance; and that it encourage State and local governments to measure performance in terms of quality and service to the public.

Herbert N. Jasper, Senior Associate, McManis Associates, discussed potential weak spots in performance measurement, such as gaming by selecting safely attainable targets, selecting measurement data on the basis of availability rather than relevance, and ignoring the labor-intensive aspect of the process. Calling "re-engineering" the systematic application of common sense, Jasper acknowledged that the very political nature of the budget process could frustrate the aim of performance budgeting which seeks more analytical and objective budget decisions.

Johnny C. Finch, Assistant Comptroller General, General Government Programs, GAO, described the four critical actions needed for measuring performance in the Federal Government: (1) focus on mission and desired results; (2) involve key stakeholders; (3) develop systems that measure performance relevant to the decisions managers must make; and (4) use the measurement information to modify processes in ways that further enhance performance.

Linda Kohl, Minnesota Director of Planning, outlined her State's three-phase benchmarking project: (1) involving having the citizens decide on a long-term vision for their State; (2) developing a set of clear, outcome-based, measurable indicators for which data were available; and (3) soliciting users' feedback on the indicators, which she said could serve as tools of accountability for Federal block grant funds.

Sheron K. Morgan, Planning Officer for North Carolina, described the State's performance measurement system as one which linked policy and budgeting and had shifted accountability from ingoing efforts to outcoming results. She stressed that success meant the involvement of senior management and the acceptance by agencies of proposed measurement indicators.

Joseph G. Kehoe, Managing Partner for Government Services of Coopers and Lybrand, advocated activity-based costing—or ABC—as a way of determining the true cost of a service or activity, and of analyzing and measuring the value of each service or activity's component processes to determine the contribution of each to the overall quality of results.

Laura Longmire, National Director of Benchmarking, KPMG Peat Marwick, outlined the utility of benchmarking, performance measurement, and business process reengineering in enhancing accountability. She asserted that all processes can be measured in terms of quality and response time through use of these techniques, and that to be improved, processes must first be measurable. Longmire identified common themes for successful projects: long-term scope, management commitment, investment in technology and tools, continual communication, and a cultural focus on results rather than compliance.

8. *June 27, 1995, Hearing on Compliance with the Government Performance and Results Act of 1993 [GPRA]*

At that hearing, testimony was received from officials of the Office of Management and Budget [OMB], the General Accounting Office [GAO], as well as from two public policy research group analyst, and the coordinators of four GPRA pilot projects.

OMB Deputy Director for Management John A. Koskinen held that the more than 70 first stage GPRA "pilot projects" were valuable experiments but reported no immediate plans for second stage projects. Koskinen announced OMB plans to integrate the GPRA findings into the budget process. Fiscal year 1998 would be treated as a "dry run" to comply with the Act's requirements, which take effect the following year.

Johnny C. Finch, the Assistant Comptroller General for General Government Programs at GAO, saw five challenges for the agencies implementing GPRA: (1) developing and sustaining top management commitment; (2) building the internal capacity of an agency

to use performance information; (3) creating cultural incentives to change the focus of management and accountability from compliance to results; (4) integrating GPRA into daily operations; and (5) working together with Congress to build a more effective oversight approach.

Paul C. Light, Director of Public Policy Programs, the Pew Charitable Trusts, explained the difficulties inherent in converting from the Federal Government's present compliance-based accountability system to one based on performance, as GPRA requires. Light focused on a compliance-oriented management culture that had been reinforced by the many layers of top-level political appointee positions, which he called the "thickening" of the Federal Government.

President R. Scott Fosler of the National Academy of Public Administration, questioned the Federal Government's capacity to implement GPRA and suggested it might lag behind schedule, unless executive leadership and congressional support could be mobilized to further the proper understanding and effective implementation of the Act's provisions.

Anthony A. Williams, Chief Financial Officer, Department of Agriculture, described the Forest Service GPRA pilot project. The project, one of eight in the department, covers all program activities of the Forest Service. The Forest Service has developed an integrated financial and accomplishment reporting system and a set of corporate performance measures.

Vice Admiral A.E. Henn, Vice Commandant, U.S. Coast Guard, Department of Transportation, explained the Coast Guard's project, one of four in the department. The project covers Marine Safety, Security and Environmental Protection programs and has focused on accountability for results coupled with greater flexibility for managers.

Joseph Thompson, New York Regional Director of the Department of Veterans Affairs, praised the GPRA as a tool for organizational improvement, citing his organization's change in structure from a top-heavy hierarchy to self-managed teams. One of the results has been a reduction of customer service delivery from 30 to 20 steps.

Colonel F. Edward Ward, Jr., Director of Field Offices, Department of Defense Finance and Accounting Service, provided testimony on the implementation of an Air Force GPRA pilot project at his last previous duty station with the Air Combat Command in Langley, Virginia. The command successfully developed a cost accounting methodology to track costs per unit of output and capture costs associated with performance measures.

C. DETERMINING THE FEDERAL ROLE

As indicated at the beginning, the committee believes that any exercise in making government work must begin with a close look at the Federal Government's mission. The commitment to balance the Federal budget in seven years requires recognizing the fiscal constraints on the Federal Government, whose ambitious tasks have outstripped available public resources. To redress this over-extension, a total review of the Federal Government's activities is necessary.

1. *Establishing Clearer Federal Missions and Effective Services.*

The executive branch of the Federal Government has not undergone a comprehensive, systematic review of its missions, services, and organization since the Nixon administration. The similar thrusts toward consolidation in President Nixon's 1971 plan and the Heritage Foundation's 1995 proposal suggest that many of the problems of duplication, proliferation, inefficiency and waste within the Federal Government are as critical today (if not more so) as they were a quarter century ago. Since that time, as the National Academy of Public Administration and others have shown, the accretion of small programs in domestic departments, such as Commerce and Housing and Urban Development, have reduced these organizations to mere "holding companies" of disparate functions. During the Reagan Administration the President's Private Sector Survey on Cost Control (also known as the "Grace Commission" after its chairman Peter Grace) recommended ways for reducing waste and controlling costs in the executive branch. Most of its recommendations were not implemented by Congress. The National Performance Review [NPR] headed by Vice President Gore reexamined them in 1993 and found many worth pursuing as potentially cost-effective. However, in the committee's view, both the Grace Commission and Phase I of the NPR neglected the fundamental questions about what functions executive departments and agencies ought to perform.

Some have argued that the Grace Commission's private-sector experts never fully appreciated the accountability and substantial cultural differences between profit-motivated businesses and tax supported Government agencies, diluting their recommendations by relying on cost-cutting solutions better suited to business than to Government.¹¹ Conversely, some NPR critics suggest that its total reliance on career Federal employees, rather than private sector managers, has yielded a myopic view of Government's ills and how to cure them. NPR can point to relatively few savings which it has initiated and is directly responsible for implementing. The review claims the across-the-board reduction of more than a quarter-million Federal jobs as credit for most of its savings. The appropriateness of crediting NPR with the savings from eliminating these positions is open to debate. In addition, the NPR reports have appropriated as their own many preexisting or localized savings initiatives.

Given a more appropriate mix among its task force members, NPR might have been able to balance the unique characteristics of the Government management environment against lessons learned from the private sector's experience. The best kind of group to rethink Government may therefore be "neither Grace nor Gore" but

¹¹ "See, e.g., Downs, George W. and Patrick D. Larkey, *The Search for Government Efficiency: From Hubris to Helplessness*, New York: Random House, 1986, pp. 220-221: "... [T]he Commission appears to have embraced the ... arrogant notion that problems exist because no one in government has noticed them and that they will go away if the collective genius of the private sector points them out. Yet, if this is so, what does it tell us about ... the efforts of outstanding managers ... who have arrived in Washington following extremely successful careers in business? ... More probable is ... that the public sector's problems are very difficult and very different from those that private-sector management faces and that it will take more than hackneyed solutions and business maxims to solve them."

a mix of the best minds from business, government, universities, and foundations.

The committee applauds the present NPR efforts for realizing the imperatives to rethink and transform the Government for the next century. As such, NPR represents a crucial and important first step. However, the committee supports the additional measures discussed above for raising current efforts by several orders of magnitude. The results claimed by the most recent NPR recommendations have not been independently verified, and the committee is unaware of any Administration plan or process for verification. The NPR made some contribution toward improving the Federal Government and lowering its cost; however, it appears to be largely based on anecdotal and ad-hoc information, rather than the result of a deliberate and cohesive plan. In the committee's view, NPR began by asking the wrong questions, did not go far enough, and did not put sufficient emphasis on fiscal accountability.

In its just-released third report, for instance, NPR decries "taking an axe to the federal government" as problematic in "that it won't fix what remains." Yet, a few pages farther is the statement that "In 1993, the Administration announced a goal to . . . cut 252,000 government jobs . . . in five years," and, in the summary of savings to date, that, "As a result [of 160,000 job reductions], savings for FY 1995 are projected to be \$4.4 billion. Total five-year savings are estimated at \$40.4 billion by the end of FY 1999"—that amounting to 70 percent of the report's estimated total "savings based on actions to date" of \$57.7 billion. It appears from the Third Report that over two-thirds of the projected five-year savings from actions already taken are going to come from the very up-front job cuts the report criticizes as taking an axe to the Government.¹²

In the committee's view, the downsizing, and the estimates of downsizing, should be one of the last actions, after there is consensus on what functions the Federal Government should be performing, and on what is the most cost-efficient, effective, customer-friendly, and publicly accountable way of performing those functions. By contrast, the NPR has put it first and has thereby, by the committee's reckoning, started at the end of its task. The NPR, now in the immediate Office of the Vice President, is unlikely to enjoy the sustained institutional commitment necessary for effective management. The NPR's objectives would be better attained by a permanent Office of Management, within the Executive Office of the President. In that connection, the committee supports current and proposed initiatives for convening a commission of experts from business, universities, the nonprofit sector, and all levels of government, including the legislative branch, to undertake a reassessment of Government missions, processes and accountability.

In the committee's view, the core group of Federal missions, services and programs should be defined by broad, overarching considerations of national priority. There are basically five areas: economic policy; foreign affairs and trade; national defense; natural resources and the environment; and domestic safety, peace and justice. Many functions the Federal Government performs now may more effectively and economically be done elsewhere:

¹²Gore, Third Report of the National Performance Review, Washington, DC, 1995, pp. 2, 6.

- The education of America's children is essentially local in nature. Under Secretary of Education Marshall Smith told the committee that nationwide between six and seven percent of the total cost of public education from kindergarten through twelfth grade is underwritten by the Federal Government, with the remainder supplied by State and local sources; yet, according to William Hansen, Federal paperwork, accounting and reporting requirements disproportionately burden teachers and administrators and deter them from actually educating our Nation's youth.¹³ The committee recognizes that education is a priority for the Nation. However, the States and localities are fully capable of educating the citizenry. "Federalizing" the response to problems has not made the response more effective.

- The sale, distribution, and consumption of our Nation's energy resources are quintessentially affairs of the commercial marketplace and should therefore be subject to market conditions of supply and demand, not insulated from them, according to testimony received from several witnesses. A number of witnesses questioned whether a Cabinet-level department was necessary or appropriate for the energy function. Of particular concern was today's Federal competition with private industry in the marketing of electric power, e.g., the Bonneville Power Administration and the Tennessee Valley Authority.

- Certain functions such as the printing and minting of the Nation's money and the constitutional function of the conduct of foreign policy and providing for the common defense are unarguably Federal responsibilities. However, most commercial-type activities supporting those functions could and should be performed by private sector sources under contract to the Federal Government. The committee noted the distinction between "contracting-out," where the Government retains accountability for mission or program outcomes despite many of the goods and services being delivered under contract by non-governmental entities, versus divestiture and devolution, where accountability for outcomes, and the functions themselves, are transferred out of the Federal Government.

2. Establishing More Effective Departments and Agencies.

The committee supports a 1988 proposal by the National Academy of Public Administration [NAPA] for organizing the Federal Government by major purpose—as originally recommended in 1949

¹³Testimony of Marshall S. Smith and William D. Hansen at the May 23, 1995, hearing. An example given in testimony was a 1991 survey of Ohio school districts, which determined that each school district in the State was required to complete 330 reports and forms, of which 157 were submissions to the State and 173 were Federally required, suggesting that the Federal Government was responsible for 55 percent of the paperwork burden while Federal funds accounted for about six percent of the resources available to each school district.

by the First Hoover Commission¹⁴ and later by President Nixon.¹⁵ The National Academy's criteria for departmental status were repackaged by Mr. Jasper as the following:

Would a proposed Cabinet entity:

- a. Have under its tutelage all the Federal programs contributing to the broad national goal or goals assigned the entity?
- b. Be able, with its combination of related programs, to improve service delivery and save money for both the intended clientele (recipients) and the taxpayers?
- c. Be free from domination by a single constituency group or professional discipline?
- d. Fill an acknowledged need for improved leadership, visibility and public support for its programs?
- e. Best serve the national interest as an independent Federal entity (in or out of the Cabinet), as opposed to being devolved or privatized?
- f. Make the Cabinet stronger or weaker, or have no effect on it?¹⁶

While generally supporting these criteria, the committee believes that there is a basic criterion which should determine Cabinet status: The departments in the Cabinet should be entities with programs high in policy content and in divisive issues requiring top-level attention. Those entities with stable administrative programs that tend to "run by themselves" would not be strong candidates for the Cabinet. A Cabinet should contain those entities of the Federal Government which require coordination by the chief executive officer and his staff. Under the Constitution, the President *is* the Chief Executive.¹⁷ As Article II, Section 1 clearly, begins: "The Executive Power shall be vested in a President of the United States of America."¹⁸

Aligning and consolidating the *programs* of Federal agencies by major purpose would lead to increased efficiency and improvements in performance that significantly benefit taxpayers, administrators,

¹⁴Hoover, Herbert Clark. Commission on Organization of the Executive Branch of the Government, *Concluding Report*, May 1949, pp. 41-42: "Many closely related functions . . . are so scattered that . . . no one is charged with considering the problem as a whole [; and] . . . many agencies contain functions which are totally unrelated to each other . . . creating a lack of central purpose and greatly increasing the problems of internal coordination. . . . [A]reas presenting the greatest problems of duplication and coordination are those in which services of a similar nature are located in different agencies in the executive branch. This dispersion of related functions has led to interagency rivalries and conflicts which have been extremely wasteful and costly. . . . [I]t has been our constant objective to achieve the greatest possible degree of unity in the departmental structure [so that] . . . a maximum unity of purpose in each department is . . . achieved."

¹⁵See note 4.

¹⁶Testimony of Herbert N. Jasper at the May 16, 1995, hearing.

¹⁷The American Cabinet is quite different than the British Cabinet. In the United Kingdom the Cabinet is made up of party leaders from the Parliament. The members bear collective responsibility for the administration of the government under a Prime Minister. In the United States, the idea of a Cabinet is based on Article II, Section 2 of the Constitution: the President "may require the Opinion, in writing, of the principal Officer in each of the executive Departments, upon any Subject relating to the Duties of their respective Offices. . . ." President Washington met regularly with the Secretaries of State, Treasury, and War, and the Attorney General. Congress may establish a major department and provide for a Secretary to head it. Ultimately, the President may add to the Cabinet those whose advice he wishes, such as the U.S. Representative to the United Nations and the U.S. Trade Representative, among others. For many Presidents, the Cabinet has been "window dressing." Lincoln put his political opponents in the Cabinet so he could keep his eye on them. Eisenhower was the first to have more formal Cabinet meetings and a Cabinet Secretary. There were briefing papers in advance, organized discussion, a decision memorandum and follow-up by the Cabinet Secretary and other staff.

¹⁸United States Constitution.

service providers, and beneficiaries alike, according to Mr. Poser. Juxtaposing similarly-aimed programs helps managers pinpoint those that are duplicative, outdated, and no longer cost-effective and would help Congress to make explicit tradeoffs among similar programs. Administration and service delivery of the programs to be retained or consolidated would be improved by discerning and removing conflicting requirements and overlapping provisions. Finally, consolidation of programs makes possible significant cuts in Federal spending, by requiring less effort and fewer employees to administer them effectively.¹⁹

Some possible illustrative departmental examples of grouping by similar mission should be considered and include those that follow. They are based on suggestions made to the committee:

- Forming a Department of Human Resources from the Departments of Education, Labor, and portions of Health and Human Services;
- Forming a Department of Natural Resources from elements of the Departments of Agriculture, Commerce, Energy, and the Interior.
- Pooling the statistics-gathering functions of several departments and agencies, the Bureau of the Census which is now in Commerce, and the Bureau of Labor Statistics which is now in Labor, into a single, independent statistical entity.
- Consolidating Federal disbursing and related financial services into a single entity.

The committee supports legislation to define for government enterprises a set of realistic, contemporary standards of accountability for public funds, while affording management the autonomy to organize for best results. The proposal would update the Government Corporation Control Act of 1945, and:

- Redefine powers, duties and responsibilities of Government corporations and future Government-sponsored enterprises [GSE];²⁰
- Require annual reports on the corporations' and the future GSE's effect on the public debt;
- Set creditworthiness rating standards for future GSEs; and
- Require annual audits of government enterprises.

3. Managing the Transformation of the Executive Branch.

The fundamental rethinking of the Federal Government's core functions will require both broad and high-level coordination and unity of purpose in its undertaking. The ad-hoc nature of the National Performance Review [NPR] organization dramatically demonstrates a critical void in the President's capacity to manage the executive branch of the Federal Government.

Witnesses offered a wide range of options for restoring effective government-wide management oversight capacity and organization to the executive branch. Witnesses agreed that consideration of budget issues and budget officials had regularly overridden management interests, with predictable and tragic results such as the Department of Housing and Urban Development scandal of the

¹⁹ Testimony of Paul L. Poser at the May 23, 1995, hearing.

²⁰ Existing government sponsored enterprises are subject to various statutory reporting and control standards.

1980s.²¹ To preclude yet another occurrence, the President and Congress needs to act together to preserve the preeminent authority and influence of a government-wide management planning and oversight office.

Options included establishing a new statutory Office of Management within OMB or establishing an Office of Management outside OMB but within the Executive Office of the President. If the latter route were chosen the Director of an Office of Management would have the same relationship to the President as the Director of OMB. Both would be nominated by the President and confirmed by the Senate. Both would report directly to the President. An Office of Management would combine the policy and oversight functions of the General Services Administration and the Office of Personnel Management [OPM] with management functions of the Office of Management and Budget. Several witnesses supported dismantling OPM and assigning to the new office policymaking responsibility for Federal workforce training and development.

In March 1994, then OMB-Director Leon R. Panetta and Deputy Director Alice M. Rivlin announced a reorganization called "OMB 2000," which essentially sought to integrate management oversight functions into budget review. In the announcement, they noted:

Critics of these recommendations may say that efforts to integrate management and budget will end up in merely bigger budget divisions, whose management responsibilities will be driven out by daily firefighting issues. We believe this criticism is based on a false premise that "management" and "budget" issues can be thought about separately. In fact, the changes are intended to improve OMB's ability to oversee agency programs and policies to ensure their efficiency and effectiveness.²²

The committee notes also that as a Member of this body Mr. Panetta, in 1991, introduced legislation which would have established an independent Office of Federal Management in the Executive Office of the President, apart from OMB.²³ Accordingly, the committee favors the earlier Panetta proposal as more likely to afford the President a directly subordinate capacity for carrying out his policy objectives, free of daily budget disputes.

As the Congress fundamentally begins to restructure the Federal Government, the need for effective management leadership in the Executive Office of the President is crucial. The committee adopted a model for a proposed "Program Resolution Office" within OMB as a mechanism for overseeing the phaseout of existing executive departments and agencies and ensuring the orderly redistribution and consolidation of retained Federal Government functions. The dismantling of large executive branch organizations is an example of an activity for which an office with a mission for Presidential level management planning and oversight would have responsibil-

²¹Moe, Ronald C., "The HUD Scandal and the Case for an Office of Federal Management," *Public Administration Review*, Vol. 51, No. 4 (July/August 1991), pp. 298-307. A 1983 NAPA panel report, "Revitalizing Federal Management," urged the establishment of an Office of Federal Management. The report drew input from a 17-member Federal Advisory Council and contained views of nine top managers from an in-depth study.

²²Office of Management and Budget Office Memorandum No. 94-16, March 1, 1994.

²³"Office of Federal Management Act of 1991," introduced by Mr. Panetta on June 25, 1991, as H.R. 2750.

ity. A salient reference work in that connection is the National Academy of Public Administration's 1992 report, *Beyond Distrust*, which addresses productive ways of sharing power between the legislative and executive branches as a means toward "effective governance under modern circumstances".²⁴ The recommendations to be forthcoming from the proposed Presidential commission must be focused on longer-term improvement and on measured, investment-oriented considerations of effective and stable government-wide oversight.

4. Federal-State Government Goals-Oriented Management.

The GAO has studied experiences of six selected State governments which have undertaken results-oriented management reforms similar to those required under the Government Performance and Results Act of 1993, P.L. 103-62 [GPRA].²⁵ The GAO believes that those experiences could help Federal agencies to focus more on program impact, which may lead to improved program effectiveness. The committee heard from officials of Oregon, Minnesota and North Carolina regarding their successes and their assessment of the effect that block-granting of Federal programs was likely to have on those successes. While it is important to strengthen working relationships between the Federal Government and the States, the devolution of Federal Government workload must focus most intently on sorting out roles and responsibilities and assuring effective implementation.

The committee believes that with devolution of Federal activities to the States through programmatic block grants, Congress will provide the management flexibility for State executives to administer these programs, reduce the extensive and crippling paperwork that now exists, and still have the fiscal accountability the taxpayers have a right to expect. Some flexibility in Federal audit controls over how the States do that work (with Federal resources) might be less costly and more beneficial overall than keeping present controls in place. The goal of the Federal Managers' Financial Integrity Act of 1982, P.L. 97-255 [FMFIA] is that controls should not cost more than the benefits they produce. The committee supports proposed amendments to the Single Audit Act [SAA], P.L. 98-104 to raise the organization-wide audit threshold from \$100,000 to \$300,000. In this connection the committee advocates forming strong Federal-State-local partnerships and consolidating related activities in "one-stop shopping" centers.

D. ORGANIZING GOVERNMENT

1. Management Structure.

The National Performance Review's span-of-control standard of 15 subordinates under a single supervisor appeared unrealistic to the committee, in light of testimony received:

The NPR report is certainly in the mainstream of management thinking but it's clearly off base in several respects such as relying too much on irrelevant State and local experience.

²⁴ National Academy of Public Administration, *Beyond Distrust*, Washington, DC, 1992, p. 9.

²⁵ "Managing for Results: State Experiences Provide Insights for Federal Management Reforms," GAO Report B-258332 of December 21, 1994.

The NPR curiously recommended—and you heard [OMB Deputy Director] John Koskinen talk about it—that the seven-to-one ratio of employees to managers should be changed to the alleged private-sector ratio of 15 employees to each manager, but Labor Department statistics report a ratio of only 6.3 to one, and some of the case studies that the NPR used were the Ritz Carlton Hotel and I wonder what supervision of chambermaids has to do with supervision of toxic waste cleanups.²⁶

The “flatness” (large span of control, few management layers) or “steepness” (small span of control, many management layers) of an agency’s or department’s organization will vary with the mission or program and, in the committee’s view, should remain a management prerogative, based on the complexity of the work involved and not some arbitrary standard.

Changes in span of control require careful assembly of the appropriate support activities that, in effect, partially substitute some of the activities traditionally performed by immediate supervisors. For example, information technology can enhance communication passed among multiple organizational levels. Training and development can supplement the instructional function performed by supervisors. Finally, the Inspector General offices and other auditing activities can backstop the oversight activities of supervisors.

The top ranks of the Federal Government are “thick” with political appointees, whose positions remain vacant during a protracted nomination and approval process, who may be ill-prepared for their work, who are often loyal to others besides the President, and who rarely stay in their jobs more than two years. Legislation to roll back the 3,000 ceiling on political appointees to 2,000 is being considered. While a one-third rollback is a good start, the committee supports further reductions, especially among Schedule C appointment positions, if the Federal Government is to reach industry’s demonstrated level of delayering its top echelons. Professor Paul Light noted that throughout the Federal Government in 1983 there was one employee at the middle for every 1.6 on the front-line, and that by 1992 the ratio was moving down toward one-to-one.²⁷ To Federal career employees the political appointee layer appears to be a “glass ceiling,” frustrating aspirations for advancement to the top ranks, sapping morale, and discouraging initiative. Reductions in the top levels will unclog the lines of management communication, remove unnecessary layers of review and supervision, and improve the clearance and policy formulation process.

²⁶ Testimony of Herbert N. Jasper at the May 2, 1995, hearing.

²⁷ Light, Paul C., *Thickening Government*, Washington, DC: The Brookings Institution, 1995. The following extract from tabular data on p. 12 makes the point:

Number of Occupants in Average Department Hierarchy, Selected Years, 1960–1992

Primary Title	1960	1972	1980	1992
Secretary	1	1	1	1
Under Secretary	2	2	2	2
Assistant Secretary	9	10	12	15
Deputy Assistant Secretary	8	14	28	36
Associate Deputy Assistant Secretary	2	5	7	18
Administrator	9	10	9	9
Deputy Administrator	5	9	11	14
Assistant Administrator	6	9	11	14

The committee supports advisory (staff) rather than directive (line) authority for Assistant Secretaries as a means of preserving a direct line of communication between department Secretaries and the principal operating officers of their subordinate agencies. The employees at the subordinate agencies—whether labeled an “Administration,” “Bureau,” “Center,” or “Institute,”—are in the most direct contact with the public being served.

The committee has weighed a suggestion for forming an administrative “super-agency,” a kind of holding company for a miscellany of smaller, loosely related agencies, no one of which had a mission justifying Cabinet rank. In concept, the organization would function similarly to today’s Department of the Commerce, seen by some as a front office for several largely self-contained, independent bureaus. Critical to success in surfacing any of the component agencies’ major issues or problems would be direct and continual contact between the administrator and the heads of the component agencies.

Even more critical will be to improve the professional quality of the appointees and career senior executives remaining in the Federal Government. The ability to sustain the type of operational flexibility introduced by the NPR depends on a future career workforce that is professional and nonpolitical.

In its 1989 report the National Commission on the Public Service (Volcker Commission) reported that among its sample of 1988 honor society graduates, public service was not perceived as a place where talented people could get ahead, and that public service was often seen as a career of last resort, with negligible probability of ending up in a top government job.²⁸

Federal political appointees for their part have tended to view public service assignments as private-career pauses, during and following which their permissible work and financial activities are circumscribed by conflict-of-interest rules.²⁹ Younger candidates for appointment in the Federal Government have had less time to build lucrative private careers, are less affected by the losses in total income typically resulting from Federal service, and therefore are more likely to accept appointments than their more senior, better qualified, and more prosperous counterparts. Under such circumstances it seems likely that the caliber of willing candidates for political appointment will continue to be lower than many expect and those who accept are generally likely to have less experience and maturity in managing or in helping to manage complex organizations.

To focus much-needed Presidential-level attention on the dearth of management capacity available to the Federal Government, the committee supports charging the proposed new Office of Manage-

²⁸ *Report and Recommendations of the National Commission on the Public Service*, (Volcker Commission Report) National Commission on the Public Service, Washington, DC: 1989, p. 26. The Commission was named after Paul Volcker, former Chairman of the Federal Reserve Board, who chaired the Commission.

²⁹ The Volcker Commission Report (*ibid.*, p. 15) noted, “Men and women are reluctant to interrupt promising careers and uproot families to move to one of the most expensive areas in the country . . . Nominees are exposed to an array of complex and overlapping disclosure forms, most of which become public . . . [and] are asked to make immediate divestiture, whatever the cost and tax burden, of any financial holdings that might constitute a conflict of interest. And they are often given little or no orientation about their new responsibilities, in large measure because those doing the recruiting may know little about the substantive demands of the jobs.”

ment with accountability for the Federal workforce's level of professional competency. Thinning the ranks and improving the caliber of both political appointees and career senior executives, are necessary but not sufficient steps. The President (and Congress) should act to fill vacancies more expeditiously. The individuals consequently appointed should carry into their positions strong intention to serve the full Presidential term. Political appointees ought to be loyal to the President's policy objectives and possess a solid understanding of the statutes which underlie the agency's mission and program.

2. Reengineering Techniques.

The committee supports a Government-wide adoption of the continuous process improvement advocated by Peter Drucker.³⁰ A continuous series of steps characterizes the process by which most Federal Government services reach citizens. At the June 20, 1995 hearing, Ms. Kohl, Dr. Morgan, Mr. Kehoe and Ms. Longmire explained that the elemental steps in a long process can be isolated and examined to identify the opportunities for improvement. Although processes may appear impossibly complex at first, agencies have succeeded in dissecting and simplifying them.

Department of Labor officials recounted their success in reducing the number of separate steps to recruit and hire new employees from 120 to 41, an improvement of almost two-thirds. Social Security Administration management and an employee group presented views as to how their agency could be advantageously reengineered using information technology, decentralizing authority and accountability, and establishing one-stop customer service points. Naval shipyards, in their attempts to streamline and improve support functions, discovered through value analysis that errors, rework, and unneeded work on ship repairs could be eliminated.

Various witnesses indicated that once goals are established, fully understood, and assimilated into the organizational culture, then the workforce's attitude toward process improvement generally shifts. Process improvement must be continuous. Members of an organization need to understand that even processes only recently reengineered can always be improved.

Tools widely used in process improvement include performance measurement and benchmarking. Ms. Longmire explained that performance measurement is a different way to evaluate what an organization is doing. It focuses on how well goals are being attained, and at what cost. By systematically evaluating the effectiveness and efficiency of required resources, it is possible to quantify results, establish clear accountability, and—ultimately—help government do more with less. Longmire likened performance measurement to a compass, showing current position and orientation, and benchmarking to a map, indicating direction and distance from an objective: "Benchmarking is a tool that shows how to drastically achieve performance improvement by comparing your organization with the best practices of others. . . . By comparing yourself to

³⁰ See footnote 9.

private or public sector leaders, you can leapfrog improvements in the way that you work.”³¹

However, just as processes leading to goals must be continually reviewed and improved, so also must the goals themselves be periodically reviewed and assessed, to be sure they still fit the organization’s or agency’s external setting and environment. Goals orientation and their review, and process orientation and its review are continual and complementary.

The committee recommends that as part of agencies’ implementation of the Government Performance and Results Act, each organization explain its policies and procedures in a brief, succinct manual for new employees and management officials. The manuals would summarize regulations and directives.

3. Information Technology.

The committee notes a report by the General Accounting Office, “Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology-Learning from Leading Organizations”, which describes a strategic, integrated set of fundamental management practices that were instrumental in the success of several Federal, State, and private sector organizations.³² The organizations’ leaders managed through three fundamental areas of practice: quantitatively assessing performance against best-known private and public organization performance benchmarks; directing scarce technology resources toward high-value uses by reengineering some critical governmental functions; and reducing costs and improving service through the application of modern managerial methods.³³ The report chronicles the repeated failures of the Federal Government to utilize effectively the opportunities offered by information technologies. Based on the GAO findings, the committee concludes that some agencies have tended to look to “hardware” or “software” solutions to problems which would have been better addressed through more effective management of the basic processes.

Many of the functions of the Federal Government have involved the review of paperwork at successive points of coordination. Integrating information technology into the “work process” can reduce the layers of review and decision making time, while maintaining accountability. However, merely adding information technology to existing poorly thought through work patterns usually yields limited benefits.

³¹Testimony of Laura G. Longmire at the June 20, 1995, hearing. A benchmarking model used by Xerox Corporation since 1980 consists of these phases: (1) Process owners flow-chart or map their processes, measure them, and determine who should be their benchmarking partners. (2) Process owners compare key performance indicators to industry leaders, identifying performance gaps. (3) Communicating the “best practice” findings, leaders seek to gain acceptance by the people who will have to adopt changed methods, and establish stretch [harder to reach] goals for improvement. (4) Comparative performance data are translated into action plans and implementation for the “best of best” practices or new improvements.

³²United States General Accounting Office, “Executive Guide Improving Mission Performance Through Strategic Information Management and Technology-Learning from Leading Organizations,” GAO Report AIMD-94-115, May 1994.

³³An Office of Management and Budget statement of those best practices is available as Circular A-130, “Management of Federal Information Resources”.

4. *Field Organizations.*

Nearly a million Federal employees are stationed in 30,000 field offices, 12,000 of which have five or fewer workers in each. Changes in information and communication technology have made many of these offices unnecessary. The grouping of many disparate categorical programs into a consolidated block grant will have an even greater impact on the field offices. The committee supports the use of these guidelines for streamlining field offices:

- Locate executive department and agency field offices and regional offices so that they are readily available to (1) serve the individual citizen, and (2) relate to State and local officials in implementing or overseeing a program.
- In structuring field establishments, avoid “steepness” of organization (many echelons, narrow spans of control, close supervision and review) in favor of organizational “flatness” (few layers of review and supervision, wide spans of control, local decision making authority).
- Push day-to-day operating decisions as far down the chain as possible, for resolution by officials closest to the situation; and keep headquarters offices in Washington focused on policy making questions and broad management issues at the department or agency level.
- Include information and communication technology considerations in every aspect of planning for the streamlining of Federal field organizational structures, in order to take maximum advantage of technology’s potential for enhancing productivity, cutting paper-based processes, shortening delivery time, and assuring customer satisfaction.
- Recognize that no single, universally applicable model will suffice for streamlining all field offices, and that the number of field offices and the degree of deployment and decentralization from headquarters will vary by Federal program and the need for face-to-face “government-customer contact in order to carry out effectively the program involved.

5. *Workforce Competency.*

The concept of a unified budget for agency field managers, similar to that given laboratory heads under the fiscal year 1996 Energy and Water Development Appropriations Act may serve as a target for enlarging Federal managers’ flexibility, authority and autonomy Government-wide. The committee anticipates that over the transition period of several years envisioned by the GPRA, a great number of control functions, regulations, reports, and the Federal jobs associated with them will be eliminated, resulting in much of the cost saving currently driving the effort to balance the Federal budget.

E. MAKING THE GOVERNMENT ACCOUNTABLE

1. *Public Accountability.*

The Federal Government should be accountable to the taxpayers-customers for the stewardship of the resources entrusted to it. That important point was omitted from the recommendations in the NPR report. The committee strongly affirms that a major thrust of

making government work is to instill in every employee, management official, and contractor of the Federal Government a commitment to serving the Nation and its citizens. Congress is ideally positioned to simplify the executive branch's task of becoming more accountable to the public, by removing some of the legislative obstacles which make that accountability unnecessarily difficult and complex.³⁴ The result would be to empower Federal agency and field managers in ways similar to the NPR's recommendations. The committee would support examples such as those which follow, which were not present among any of the NPR's financial management recommendations but were offered in testimony at the hearings:

Simplify executive branch accountability by consolidating several of the thirteen separate Congressional appropriations bills. If the legislative review process of the President's executive budget was comparable to the internal review now made by the Office of Management and Budget, there would be only five appropriations subcommittee. A sixth separate subcommittee could review the legislative and judicial branches as well as the Executive Office of the President. These actions would bring some order to the annual appropriations review with several favorable results: (1) a more coordinated process for appropriating funds, (2) downsized House and Senate committee structures, and (3) smaller and more productive agency headquarters and field offices to track this process. If the executive branch were reorganized by major purpose, Congress might take similar steps in that direction.

Control agencies' human resources only through dollars, not by dollars and staffing caps, by appropriating a gross personnel and training budget to each agency. Managers would decide the numbers, salaries, and training investment of their workforces within their budget. An example of this is the combining of several appropriation accounts which was encouraged by both House and Senate Appropriations Committees in the proposed Energy and Water Development Appropriations Act for fiscal year 1996.³⁵ Those provisions have provided field laboratory managers unprecedented freedom and flexibility in shifting their resources.

Allow interagency funding once again; take out the restriction on "passing the hat" to fund interagency efforts that Congress has inserted in every Treasury, Postal Service, and General Government Appropriations Act since 1971. The prohibition grew from Congress's suspicion that by pooling funds from different agency appropriation accounts, the executive branch would create new agencies without first consulting lawmakers or getting statutory approval. The proposed change would permit agencies to experiment with interagency and intergovernmental service initiatives. The time for mistrust is past; the time for inter-branch partnership, cooperation, and trust is now. The executive branch has

³⁴Testimony of former Under Secretary of Energy Shelby Brewer at the May 23, 1995 hearing: "Part of the problem . . . is the clutter of the multiplicity of congressional committees that oversee. And each committee has a set of interests, different from others. And then the appropriations structure is very confusing. If you look at the budget, a layman cannot understand it."

³⁵House Report Number 104-149, pp. 70-71; Senate Report Number 104-120, p. 88; H.R. 1905, 104th Congress.

enough flexibility, and Congress enough control, in permanent law.³⁶

The committee encourages the appropriations committees to make, and enforce, rules against appropriation-bill riders which outlaw the closure of named field offices or locations. To do otherwise would deny executive agency managers the flexibility and the empowerment which NPR recognized they need in order to execute their programs with the best possible results. If there are serious legislative concerns over the failure of a proposed field office reorganization to serve clientele effectively, then the agency could be asked to review the matter for one year.

The committee noted that Federally contracted-out work is still Federally accountable and as such is subject to the same stewardship standards as work performed by Federal employees. In that respect, Federal contract administration has become a critical function in terms of the Federal Managers' Financial Integrity Act, in that it relies increasingly on the technical and professional qualifications of those who enforce the work statements of Federal contracts. Well-written work statements, clear award and sanction provisions, and airtight quality control methods must be complemented by competent enforcement to ensure adequate results. For these reasons, there needs to be much more effective training of Federal contract administrators. Those involved in acquisition and procurement, contract administration, and continuous inspection of production should be encouraged by monetary and non-monetary incentives to be one of the elite groups within a revitalized federal service. The \$213 billion annually that are spent on all types of contractor work demands talented people.

At the request of this and other committees of the House and Senate, the General Accounting Office conducted an assessment of approaches used by several national governments in carrying out management reforms that Federal agencies could use in implementing the Government Performance and Results Act.³⁷ There are growing efforts in implementing results-oriented management reforms in Australia, Canada, New Zealand and the United Kingdom. These approaches and experiences are relevant to the Federal implementation of the Government Performance and Results Act. New Zealand Budget Manager Tony Dale explained his government's structural reforms, which have separated policy advice functions from service delivery functions.³⁸ A key feature of the New Zealand reforms was that a career professional departmental chief executive began to be appointed on a limited (typically five year) term performance-based, contract. Department chief executives sign an annual agreement with their superior political ministers. That agreement specifies the performance goals to be achieved by the agency in the year ahead. At year's end the level of achieve-

³⁶ 31 U.S.C. 1346 & 1347.

³⁷ United States General Accounting Office, "Managing for Results: Experiences Abroad Suggest Insights for Federal Management Reforms," GAO Report B-260057 May 2, 1995.

³⁸ Testimony of Tony Dale, Budget Manager, New Zealand Treasury, (in his capacity as Harkness Fellow, 1994-95, the Commonwealth Fund), at the May 2, 1995, hearing. As an example, from the testimony, responsibility for advice to government on environmental policy and regulatory issues was assumed by a new environmental ministry; and a service delivery agency, the Department of Conservation, was established to run national parks and manage endangered species. The purpose was to provide clearer focus for the operating agencies about what their line of business was and where they should specialize their expertise.

ment is used to determine the departmental chief executive's salary . . . Dale noted: "We have defined performance on the basis of outputs in goods and services, not on the basis of outcomes."³⁹ In addition, political appointees are limited to a small number that concentrate on policy.

The United Kingdom's Citizen's Charter, begun in 1991, had by 1994 published 38 documents covering major public services and setting out the specific service standards that citizens could expect and at citizens could do if the standards were not met, according to the GAO report. As an example of citizens' recourse, the Post Office was to compensate customers for late arrival of a special delivery item by refunding twice the fee paid or a book of first-class stamps, whichever was greater in value. This approach to accountability would seem to work best where enforceable penalties can be devised to fit specific mission circumstances.

2. *Goals and Work Results.*

The Government Performance and Results Act [GPRA] is the cornerstone of an effort to shift government away from a focus primarily on resource inputs—such as budget level and number of employees—toward specific and identifiable outcomes. GPRA improves decision making by having agencies establish performance goals and a credible evaluation system to determine the degree to which the goals have been achieved over a specific time period. The term "performance goal," as used in the Act, has recently been defined by the Chief Financial Officers Council GPRA Implementation Committee.⁴⁰

The GPRA requires agencies to develop five-year strategic plans by September 1997, and to link program performance measures to the strategic goals thus developed. A strategic plan includes a comprehensive mission statement and general goals and objectives encompassing the major functions and operations of the agency. A system to keep track of the performance measures is crucial if the organization is to assess how much improvement is taking place in each period. The GPRA system is intended to make possible an objective evaluation of work results.

Part of the challenge of GPRA will be for agencies to specify goals and to measure results in quantitative terms. The responsible committees of Congress should oversee agency goals and measures.

To comply with the Act, agencies will have to work with the congressional authorization and appropriations committees to develop acceptable statements of goals. As an example of how the process works, for Fiscal Year 1995 the House Appropriations Committee's Subcommittee on Treasury, Postal Service and General Government utilized a performance goal-oriented approach in its appro-

³⁹Testimony of Tony Dale, Budget Manager, New Zealand Treasury, (in his capacity as Harkness Fellow, 1994–95, the Commonwealth Fund), at the May 2, 1995, hearing.

⁴⁰"Implementation of the Government Performance and Results Act [GPRA]," a work by the Chief Financial Officers Council, GPRA Implementation Committee, defines a performance goal as, "A target level of performance expressed as a tangible, measurable objective, against which actual achievements can be compared. . . . these are the targets set by the program for specific reporting periods. A performance goal is a statement composed of two components, an indicator and a target. For example: 'to increase the immunization rates for two-year-olds by 40% by 1999' includes the indicator—immunization rates—and the target—to increase rates by 40% by 1999. GPRA requires annual goals for each indicator, but goals can be set for shorter periods (e.g., quarterly) for internal management purposes."

priation bill hearings. This committee views such action as an early and welcome step toward the incorporation of GPRA performance indicators into the congressional oversight function.

3. Outputs Versus Outcomes.

The committee notes the distinction to be drawn between agency outputs—which are the quantity and quality of services delivered or products made—and outcomes, which are the quantity and quality of the results achieved by the outputs in satisfying the taxpayer-customer. Agencies have control over outputs but usually have more limited control over their programs' outcomes. Although outputs are generally quantifiable, outcomes, which are often qualitative and subjective, tend to be much more difficult to measure.

Witnesses at the hearings agreed that the programs' outcomes often depend on factors other than the operation of the programs themselves, and are, therefore, not totally within the control of agency managers. Nonetheless, information about outcomes is important in making resource allocation decisions. The challenge for the legislative and executive branches will be defining agencies' responsibility for the results they can accomplish, with the recognition of the limits that agencies may have in accomplishing desired outcomes. Program output, e.g. funding supplied, is easier to measure, and witnesses agreed that government managers can be held responsible for their outputs. Accountability for outcomes can be considered at the program, agency and departmental level.

The committee supports the continuation, development, expansion, and extension of the pilot projects begun under the Government Performance and Results Act. It supports OMB's recent emphasis on training agency staff and developing procedures to encourage performance management. The committee encourages the OMB to identify projects that meet the GPRA's subsequent managerial flexibility and accountability stage of preparation to comply with the GPRA.

More effort is needed to define desired outcomes involving inter-governmental and interagency cooperation. All affected organizations should participate, with authority and responsibility assigned in ways that clearly fix accountability and stimulate innovation without fear of taking risks. In that connection, agency executives and the Congress may come to rely increasingly on agency Inspectors General for verification of the appropriateness of performance measures chosen, and of the accuracy of the resulting agency indicators.

4. Reports to the Citizenry.

The committee encourages the work now being done by the Chief Financial Officers' Council toward reducing and combining the requirements of ten statutory reports into (1) an "Accountability Report," on the disposition or the public resources entrusted to Federal agencies, and (2) a "Planning and Budget Report," on the levels of dollar and personnel (full-time-equivalent, or FTE) resources

which are needed for the next year and projected to be necessary for the next five years.⁴¹

Requiring Statute	Government-Wide Report
Chief Financial Officers (CFO) Act of 1990 (P.L. 101–576)	CFO Act Annual Report Including audited financial statements; Agency CFO Financial Management Status Report and five year plan; OMB CFO Financial Management Status Report and five year plan
Federal Managers' Financial Integrity Act (FMFIA) of 1982 (P.L. 97–255).	FMFIA Report (annual)
Inspector General Act of 1978, amended (P.L. 95–452)	Management Report of Final Action (Audit Follow-Up report)
Government Performance and Results Act of 1993 (P.L. 103–62).	Strategic Plan; Annual Performance Plan; Annual Performance Report
Prompt Payment Act of 1982 (P.L. 97–177)	Prompt Payment Report
Federal Civil Monetary Penalties Inflation Adjustment of 1990 (P.L. 101–410).	Civil Monetary Penalties Report

Resource levels must be established in light of program goals. More information will become available to the public when the Accountability and the Planning and Budget reports are perfected. As a result, citizens will find that more quantitative and meaningful information is available, which will be arranged in much the same way that a publicly traded company issues its prospectus and annual report. More research and investigation are necessary to define the kinds of non-quantitative and future-oriented projection information needed for the reports. In that regard, one of the first tasks of the Office of Management should be to coordinate the examination of what information is needed by citizens, the President, and Congress.

III. CONCLUSIONS

Making the Federal Government work must substantially begin with managing the Federal Government more effectively. As a result of its investigation, the committee concludes that management functions have been de-emphasized at the most senior levels of the Federal Government.

To correct these deficiencies, however, will require innovation and creativity to be displayed and implemented on a scale never before attempted. Toward this end, the Federal Government must:

- Organize and manage its functions efficiently and effectively;
- Define its role and its relationships with other entities; and
- Become fully accountable to the public.

Imperative in this effort are: an invigorated Federal management office to provide guidance to the executive agencies, a landmark commission to define and recommend the Federal role, and a code of simplified planning and reporting rules to make the Government more accountable to the citizenry.

ORGANIZATION AND MANAGEMENT OF FEDERAL FUNCTIONS

The President's capacity to manage the executive branch has atrophied, as demonstrated by the ad-hoc and transitory National Performance Review group within the Office of the Vice President instead of a vibrant, forceful management cadre in the Executive Office of the President. After considering many different views on

⁴¹These are the ten reports on which the CFO Council is working on:

the best organization of a central executive branch management planning and oversight office, the committee concludes there should be such an office in the Executive Office of the President outside the jurisdiction of the present Office of Management and Budget.⁴²

Leading private and public enterprises have successfully harnessed the potential of information technology to become more efficient and more responsive organizations. The successful and visionary executives of these organizations practice disciplined self-assessment of their organizations in the marketplace, concentrate the energies of their enterprises on technological improvements to attain goals, and directly consider technology investment decisions. Some information technology success stories have taken place within the various agencies of the Federal Government. The rest of the agencies should heed these examples.

The problem of management continuity at Federal agencies is exacerbated by the rapid turnover (usually 18 months to two years) of political appointees. "People problems" associated with organizational change have become so serious as to require urgent attention. Compounding these problems are the employee-buyout programs, which have led to the separation of many of the most talented employees whose "institutional memories" are now lost.

This rotating leadership at the top has resulted in revolving-door and empty-desk government non-management. Career employees are asked to act in vacant political-appointment positions which they will seldom be allowed to hold, and then to spend months preparing newly-arrived appointees who must be educated and oriented at length on their organizations' missions and histories—until *they* move on.

Downsizing without apparent vision, goals, or strategy has placed in a defensive stance those very individuals most capable of bringing off the transformation to a leaner, more effective Federal Government. A particularly harmful result is that able people interested in public service careers are increasingly avoiding the Federal Government as a career choice. The result of the reduction of a quarter million Federal jobs, because of downsizing without having first rethought, restructured, and reorganized the executive branch according to a well-ordered plan is likely to be a government that, as Donald Kettl said, "costs more and works worse."⁴³

THE FEDERAL ROLE AND RELATIONSHIPS WITH OTHER ENTITIES

The current conglomeration of interwoven, overlapping, and conflicting Federal programs and responsibilities demands order, alignment, and reconciliation. Redundant, inefficient Federal programs and missions must be resolved and realigned, with duplication purged. A number of recommendations from the 1930's Brownlow Committee, the late 1940's and early 1950's Hoover Commissions, and the 1970's Nixon plan are worth further review

⁴² Obviously, the establishment of the Office of Management would change the Office of Management and Budget to the Office of the Budget.

⁴³ See footnote 6.

for present application.⁴⁴ If the Federal Government is to be streamlined and made more responsive, all parties must be willing to glean the most attractive offerings from all past efforts, including the Grace Commission and the National Performance Review, as well as counsel from industry, universities, the nonprofit sector, and all levels of American government.

The dictates of reality and previous lessons from industry, State governments, and a few foreign governments have clearly shown that cosmetic changes and poorly considered unfocused cuts of the workforce are not the answer to a moribund or lethargic organizational culture. Rather, the success stories have come from enterprises and governments that methodically and responsibly considered and reconfigured their mission and goals to achieve the most useful, favorable, productive, or profitable outcomes for their clientele.

State and local government officials, in particular, will feel a need for participation in deliberations over devolution of Federal missions, functions, and activities. States and communities will need a voice on a Presidential commission to participate in forming effective intergovernmental processes and relationships. A reduced Federal role and an accompanying new management structure are essential to the achievement of a balanced Federal budget.

PUBLIC ACCOUNTABILITY

While the committee shares many of the general goals for the National Performance Review [NPR], it believes that they can be attained only through much more comprehensive and far-reaching measures than those documented or achieved to date. The NPR's belated examination of what functions the Federal Government should perform—following its initial review of how Government did its work—while welcome, is viewed as only the first step toward attaining the needed efficiency and economy to balance the Federal budget. Similarly, in its choice of an institutional vehicle, the Administration has created an entity poorly suited for the tasks with which it has been charged.

The committee believes that more robust steps are needed to reach the goals of the NPR. Some examples of these are:

- streamlining the core missions and processes
- eliminating unproductive programs and activities
- cutting the proliferation of political appointees
- thinning out excessive layers of Federal management
- removing needless layers of review
- focusing more emphasis on training and developing those remaining in a smaller workforce
- giving agencies professional help to adapt to change, and

⁴⁴ U.S. President's Committee on Administrative Management, Report with Special Studies (Washington: U.S. Government Printing Office, 1937).

U.S. Commission on Organization of the Executive Branch of the Government, Hoover Commission Report (New York: MacMillan, 1949) U.S. Congress, House Committee on Government Operations, Summary of the Objectives, Operations, and Results of Commission on Organization of the Executive Branch of the Government (First and Second Hoover Commission), Committee Print 88th Congress, 1st Session, (Washington: U.S. Government Printing Office, 1963).

U.S. Executive Office of the President, Office of Management and Budget, Papers Relating to the President's Departmental Reorganization Program (Washington: U.S. Government Printing Office, 1971).

- distinguishing and more clearly defining roles between Federal and State agencies

As a result of these steps personnel and expenditures could be reduced accordingly. To guide and coordinate all actions leading to attainment of NPR goals, an “engine of change” is needed. An Office of Management in the Executive Office or the President would provide that energy and coordination on behalf of the President.

Government agencies and Congress itself should update their organizational structure, technology investment, and public accountability. For instance, the Government Corporation Control Act of 1945 may have been more appropriate for 1945 than for 1995; only belatedly, under the Speaker’s influence, has the House of Representatives begun to exploit personal communication technology; and, as sweeping changes are wrought within the executive branch, some corresponding realignment of congressional committees may be appropriate. The broad aims of the Government Performances and Results Act [GPRA] are as equally incumbent upon Government corporations and Congress as they are on the executive branch. Congress should incorporate the fruits of the Act in its authorization and appropriation processes.

The public accountability expected of executive branch agencies could be abetted by a simpler and less cumbersome arrangement of appropriation accounts. The Office of Management and Budget manages the thirteen Federal appropriations through five organizational elements, which merit some review for possibly a similar alignment in the House.⁴⁵ A less complex array of accounts would simplify budget planning and execution and fiduciary reporting by executive agencies, enable them to adjust more quickly to the requirements of the GPRA and lead to earlier and more comprehensive public accountability that Congress sought in passing the Act.

Government is too big. For a government to serve its taxpayers, who pay the bills to have certain services rendered, efficient and effective management structures, processes, and goals are needed. An unwieldy government will not be able to meet the demands of the Twenty-First Century. That major challenge needs the best ideas and energies of the President, Congress and our fellow citizens.

⁴⁵ The Resource Management Offices in OMB are General Government; Health and Personnel; Human Resources; Natural Resources, Energy and Science; and National Security and International Affairs. (*The United States Government Manual 1995/96*, Washington, D.C. GPO 1995.)

ADDITIONAL VIEWS OF HON. CARDISS COLLINS, HON. CAROLYN B. MALONEY, HON. HENRY A. WAXMAN, HON. ROBERT E. WISE, HON. MAJOR R. OWENS, HON. EDOLPHUS TOWNS, HON. JOHN M. SPRATT, JR., HON. LOUISE MCINTOSH SLAUGHTER, HON. PAUL E. KANJORSKI, HON. GARY A. CONDIT, HON. COLLIN C. PETERSON, HON. CAROLYN B. MALONEY, HON. THOMAS M. BARRETT, HON. BARBARA-ROSE COLLINS, HON. ELEANOR HOLMES NORTON, HON. JAMES P. MORAN, HON. GENE GREEN, HON. CARRIE P. MEEK, HON. CHAKA FATTAH, AND HON. TIM HOLDEN

Any member of this Committee who has paid attention to the hearings held over the previous decade would agree that significant improvements in the management of the Federal government are required if it is to meet its citizens' needs and its taxpayers' expectations. No administration can make the necessary changes overnight. The Clinton Administration needs to do more, just as the previous administrations did not do enough.

Yet, the Majority fails to recognize that the current Administration inherited a Federal government which from a management standpoint had been neglected and abused for the previous two decades. A 1989 report by the General Accounting Office examined the Office of Management Budget and concluded that OMB had been unable to coordinate its management and budget functions effectively and had not established a stable management capacity.¹ GAO found that "inconsistent leadership, limited resources, implementation strategies that failed to recognize unique agency environments, and insufficient efforts to gain congressional support were fall factors" in these previous failures.² GAO made four recommendations in that report, three of which were ignored by the previous Administration (the fourth was enacted through legislation):

- 1) That OMB establish a systematic process within the budget cycle for monitoring key management issues;
- 2) That OMB give budget divisions the responsibility for overseeing agency implementation of management improvements; and,
- 3) That OMB improve coordination between management and budget staff.

The Clinton Administration, through a reorganization called OMB 2000—an initiative of the National Performance Review—has achieved each of these goals. In a draft report by the GAO which has been provided to Committee, GAO has found that OMB 2000 has succeeded in bringing more attention to management problems.

¹*Managing the Government: Revised Approach Could Improve OMB's Effectiveness* (GAO/ GGD-89-65) May 4, 1989.

²*Id.*, page 3.

GAO found positive changes in the emphasis on management in OMB's management priorities, issues related to its statutory offices, and other program-related management issues.³

Yet, the Majority fails to give any credit to the Clinton Administration for its efforts to improve the management of the Federal government, including OMB 2000, the National Performance Review, procurement reform, the passage and implementation of the Government Performance and Results Act, and the wholesale reorganization of the General Services Administration. While Members can argue whether these efforts are being implemented as well as they could be, their significance cannot be ignored.

In addition, the Majority has embraced a report that is filled with inconsistencies and findings not supported by the body of the report itself. As an additional irony, the Majority's primary recommendations would create additional levels of bureaucracy in order to reduce bureaucracy, a position that runs counter not only to common sense, but to the goals of much of its legislative agenda as well.

Some of the report's findings are not supported

Not a single witness is quoted from eight days of hearings that puts forth the viewpoint of the Majority's number one finding, that "The Executive Office of the President has abrogated its responsibility to oversee the Government's management structure."⁴ Not only is there no discussion of such a finding anywhere in the report, it flies in the face of the Administration's creation of the National Performance Review. NPR, which works under the auspices of the Vice President, is directed from the Executive Office of the President, and includes representatives of dozens of Federal agencies and programs. Rather than abrogating its responsibility, this Administration has elevated it to the list of its top priorities.

Another finding, (3)(b),⁵ asserts that there is more red tape in the Federal government today than there was in 1971. There is not a single bit of evidence anywhere in this report to support this "factoid."

One of the Majority's recommendation, (1)(c),⁶ advocates the creation of an Office of Inspector General in the Executive Office of the President. Not only is there no discussion of this recommendation anywhere to be found in the report, not a single witness even discussed this issue in the eight days of hearings on which the report is based.

As for other inconsistent statements, the Majority apparently has failed to read its own report. As part of its broad discussion, the report states that "NPR can point to relatively few savings which it has initiated and is responsible for implementing."⁷ This statement is demonstrably false, as the report itself makes clear when it quotes from author Peter Drucker:

³ *Office of Management and Budget, Changes Resulting From the OMB 2000 Reorganization* (GAO/GGD/AIMD-95—to be determined).

⁴ Page 5 of this report. All citations will be to this version of the report.

⁵ Page 7.

⁶ Page 8.

⁷ Page 22.

If all (of the NPW's) recommendations are accepted by Congress, they should result in savings of about \$12.5 billion over two years. . . .⁸

Finally, the majority makes this erroneous statement:

The Federal Government should be accountable to the taxpayers-customers for the stewardship of the resources entrusted to it. That important point was omitted from the recommendations in the NPR report.⁹

Yet, one of NPR's top priorities was passage and implementation of the Government Performance and Results Act, landmark legislation which takes as its very premise the Federal government's accountability to those it serves as well as to the taxpayers. Perhaps the Majority has forgotten that this legislation was opposed by the previous Administration. It was not until President Clinton's National Performance Review embraced it and worked closely with Democrats and Republicans and in an entirely nonpartisan manner that the legislation became law.

The problems of government fraud, waste, and abuse facing the Clinton Administration were monumental.

The problems of government fraud, waste, and abuse facing the Clinton Administration when it took office were monumental. Studies of agency-by-agency assessments from 1980 through 1992 documented more than \$300 billion of wasted dollars, with perhaps billions more that could not be quantified.¹⁰ The biggest single cause of waste, fraud, abuse, and mismanagement was the lack of leadership from both the Executive and Legislative Branches of government.

While the agencies had been provided with many of the tools to better manage the Federal government, "Fed bashing," such as President Bush's proposal to reduce the salaries of top-level managers by 5 percent, only served to further undermine Federal managers and their workers.¹¹ Rather than fostering the strong leadership that is the linchpin of effective management, the Office of Management and Budget often led the drive to deprive agencies of the tools they needed to manage, cutting audit and enforcement resources, failing to plan for the long term, and ignoring huge ripoffs in government health care, defense, loan, and other programs.

The scandal at the Department of Housing and Urban Development in the late 1980s is a case in point. Hearings revealed that developers and other favored friends of the Reagan Administration were overpaid by hundreds of millions of dollars for public housing rehabilitation, while influence peddling, greed, fraud, and embezzlement of other HUD programs cost the taxpayers more than \$2 billion.¹² The HUD Inspector General had been reporting on these programs for years without any response from OMB or the Depart-

⁸Page 10.

⁹Page 33.

¹⁰See, for example, *Managing The Federal Government: A Decade of Decline*, Committee Print House Committee on Government Operations, 1992 (hereafter cited as *Managing the Federal Government*).

¹¹*Managing the Federal Government*, page 3.

¹²Committee on Government Operations Report, "Abuse and Mismanagement at HUD" (H.Rept 101-977) (Nov. 1, 1990), p. 2.

ment. It was only after Congressional hearings than an embarrassed OMB announced it would take action.

OMB appeared to take a positive first step by publishing, in 1990, a "high risk" list of troubled government programs that might cost the taxpayers hundreds of billions of dollars in the future, and it vowed to get on top of the problems. Unfortunately, the Bush Administration devoted only the equivalent of three full-time employees to monitor these 99 high risk problems. With that lack of commitment, it is no surprise that the OMB high risk initiative made little progress. Meanwhile, OMB saw its staff reduced from 622 to 574 employees between 1981 and 1991.¹³

Congress, too, deserved some of the blame for the leadership void. Congress was a partner to budget cuts to agency programs that have resulted in less audit coverage and evaluation of those very programs.

The Federal government is the world's largest purchaser of equipment and supplies. Yet, ineptitude, poor planning, and bad auditing—not to mention outright corruption—cost taxpayers billions of dollars in faulty procurements. Procurement officials repeatedly failed to identify the government's needs and objectives, and as a result spent billions of dollars on projects that could not accomplish what was required. For example, the Department of the Treasury awarded a contract for off-the-shelf, commercially available equipment and services to a vendor whose proposed price was half-a-billion dollars more than the runner-up's bid.¹⁴

Meanwhile, the Administration and Congress were cutting back on contract auditors responsible for policing the procurement system. While defense contractors were overpricing their government contracts by \$3 billion between 1987 and 1990, the Defense Contract Audit Agency faced a proposed cut from the Bush Administration of 86 auditors.¹⁵ While the Department of Health and Human Services' spending increased by more than 150 percent from 1981 through 1992, the Department's Inspector General staff grew at only one-fifth that rate.¹⁶ The result was a significant decrease of oversight of fraud related to medical equipment and Medicare programs.

The Federal government was plagued by massive problems in information resources management (IRM), the computer systems that allow agencies to process the information needed to manage operations and make intelligent decisions about programs. Yet IRM has consistently been one of the weakest links in the government, resulting in cost overruns in the hundreds of millions of dollars and years of delays. For example, the Internal Revenue Service was attempting to serve a 1990s population using 1960s technology.¹⁷

Nearly every Federal agency had a financial management structure that was ineffective and inconsistent, leading directly to repeated fraud. For example, accounting systems at HUD were un-

¹³ Based on a review of Federal budgets for fiscal years 1981 through 1992. See, *Managing the Federal Government*, page 4.

¹⁴ *Managing the Federal Government*, p. 5.

¹⁵ General Accounting Office Report, "Contract Pricing: Issues Related to the Defense Contract Audit Agency" (GAO/NSIAD-92-188) (May 1992) at p. 3.

¹⁶ Department of Health and Human Services, Office of Inspector General, Fact Sheet on Fiscal Year 1993 Resources (September 1992).

¹⁷ House Committee on Government Operations Report, "Tax systems Modernization: Some Early Observations On Its Progress" (H.Rept. 102-388) (November 26, 1991) p. 2.

able to detect the diversion of \$5 million by an employee dubbed “Robin-HUD.”¹⁸ At the Defense Department, inventory records were so bad that the Department purchased \$30 billion in unnecessary inventories.¹⁹ HHS erroneously paid millions each year for health care that private insurance companies and self-insured businesses were liable for.²⁰

One experiment of the 1980s was an effort led by President Reagan to turn over major areas of the Federal government to the private sector. Privatization can be a cost-effective method of delivering some Federal services. However, without appropriate safeguards, private contractors can cost taxpayers millions of dollars. For example, at NASA, millions of dollars were lost every year because private sector service contractors misrepresented their hours, slept on the job, fell far behind schedule, and had little if any supervision.²¹ At the Department of Energy, 16,000 employees were responsible for monitoring the performance of over 100,000 contract employees, who in turn were responsible for the waste production and management plants that behind schedule, tripling in costs, and unable to meet program objectives.²²

The Clinton Administration’s Accomplishments: What Are the Facts?

Speaker Newt Gingrich, speaking about the National Performance Review on ABC News earlier this year, characterized its results:

“The Vice President’s effort is a total success.”²³

Today, there are nearly 200,000 fewer federal employees in middle management and staff jobs than there were when President Clinton took office. Today, the Federal government is smaller than it has been in 30 years.

President Clinton has committed to cutting 16,000 pages from 86,000 pages of federal regulations. The Administration has developed partnerships with businesses being regulated by OSHA and EPA. Regulators reward results, not red tape. They negotiate, not dictate. As Philip Howard, author of “The Death of Common Sense,” notes, the federal government has made “a complete U-turn away from the reigning philosophy of government regulation.”

The Clinton Administration has increased accountability of government. It supported the Government Performance and Results Act, and requires performance agreements with top agency officials to ensure their commitment to these goals. It is preparing the first annual financial accountability statement to the taxpayers. It has directed all agencies to develop customer service standards so agencies will be accountable to their customers, not to some bureaucrat

¹⁸House Committee on Government Operations Activities Report, (H.Rept. 101–1006) (Jan. 2, 1991) p. 121.

¹⁹*Managing the Federal Government*, page 53.

²⁰Maximus, Inc., “Medicaid Third Party Liability, Final Report,” report prepared for the Department of Health and Human Services, Health Care Financing Administration, Third Party Liability Branch (September 30, 1990), pp. ES4–5.

²¹Inspector General Management Problems, National Aeronautics and Space Administration (1992), p. 20.

²²See testimony of John C. Layton, Inspector General, Department of Energy, “Contractor Accountability At Department of Energy Nuclear Facilities,” hearing before the House Committee on Government Operations, Subcommittee on Environment, Energy, & Natural Resources, (Oct. 24, 1989), p. 11.

²³February 2, 1995, ABC World News This Morning.

in Washington. To date, over 200 agencies have publicly committed to over 3,000 service standards.

The report says the “last comprehensive reorganization study” in the government occurred under President Nixon.²⁴ Yet, it conveniently ignores the fact that this effort failed. The report also talks about the need to first focus on mission and roles, then on structure and process. It ignores the fact that Congress and the President have been arguing about these issues since 1981 with no resolution. Vice President Gore rightly determined that “how the government works” can be fixed independently of “what the government should do.”

What did the National Performance Review set out to do?

The fundamental principle of the National Performance Review is that improved government, and improved service to the public, does not come through reinventing the bureaucracy—or by creating a new office—but by changing the culture of how the work gets done. This is done not from the top down, but from the bottom up. Neither the Office of Management and Budget, nor even the President, can simply say, “do it this way,” and expect things to change. Rather, the culture of government must be changed by changing the way people think about their job. This is done through giving line employees more control over their job, consulting those employees on what they see that needs fixing, and through one employee seeing another change the way he or she approaches the job.

As a result of this philosophy, the National Performance Review did not set out a set of rules and procedures by which work should be done. Rather, it looked for opportunities for change—places in the government where employees were eager to change the way things were done, places where the red tape within government had so tied up the workers that they could not perform their job. These demonstration projects would be the seeds of change sowed within the system. From them new projects would grow, and new ways of doing things would be rewarded.

Shortly after entering office, President Clinton and Vice-President Gore initiated the National Performance Review to “radically change the way government operates—to shift from top-down bureaucracy to entrepreneurial government that empowers citizens and communities to change our country from the bottom up.”²⁵

The National Performance Review established a system of rewards for managers and employees who established new ways of doing things that emphasized improving service to the public and doing it with fewer resources. Through examples and rewards, the National Performance Review plans to reform the way government works—not by changing the bureaucracy, but by changing the bureaucrats.

The first step of this review was to look at what the government does and how it does it.²⁶ Teams of experienced federal employees were brought together to identify what works, and what does not. The next step was to fix those things that do not work. Next, the

²⁴ Page 3.

²⁵ Bill Clinton and Al Gore, *Putting People First*, New York, Times Books, 1992, 23–24.

²⁶ Al Gore, *Creating a Government that Works Better and Costs Less*, Washington, D.C., U.S. Government Printing Office, 1993, p. 1.

Review went to the American public to determine what works and what does not. Thousands of citizens were contacted directly at town meetings, national conferences, and local neighborhoods. More than 30,000 letters and phone calls from citizens across the country were received.

After careful study, it was estimated that the improved efficiencies developed under the National Performance Review would result in a reduction of the Federal workforce of over 250,000 positions. This was not a goal, but the result of evaluations of how government functions could better be accomplished. The only attempt to make it a goal was by Congressional Republicans who attached it to several bills moving through Congress.

The National Performance Review identified four major areas for improving government services: cutting red tape, putting customers first, empowering employees to get results, and cutting back to basics.

Cutting red tape focused on changes in the budget process, personnel, and procurement. This initiative was designed to incorporate state and local governments into developing procedures that accomplished a reduction in the number of categorical grants, increase state and local flexibility in the use of the remaining categorical grants, and severely limit the number of unfunded mandates on state and local governments to provide administrative savings at all levels.

The initiative to *put customers first* focused on giving customers a voice in the government, and a choice in how services were delivered. The use of market dynamics to influence employee behavior and market mechanisms to solve problems were central tenets of this effort.

Empowering employees attacked the centralized and hierarchical structure of government. By decentralizing authority, those who work on the front line become responsible for their own decisions. This initiative also addresses the number of layers in government. Following the best practices of private and public organizations,²⁷ the National Performance Review sought to reduce the bureaucratic distance between employees and supervisors, much as private business has reduced the number of middle managers.

The initiative to *cut back* to basics emphasized eliminating what we do not need, and investing in greater productivity. These are not piecemeal efforts as in the past, but fundamental changes in the systems which organize the federal bureaucracy. One of the first legislative changes of the National Performance Review was the passage of the government Performance and Results Act in 1993. The leadership of Congress in passing this Act is acknowledged in the first National Performance Review report.²⁸ This bill had languished before previous Congresses and had been actively

²⁷Thomas Peters and Robert Waterman, Jr., *In Search of Excellence*, New York, Warner Books, 1982. See also, Peter Drucker, *The Age of Discontinuity*, New York, Harper Torchbooks, 1978.

²⁸Al Gore, *Creating a Government that Works Better and Costs Less*, Washington, D.C., U.S. Government Printing Office, 1993, p. 7.

opposed by the Bush Administration. It took the leadership of the National Performance Review and Congress to make it law.

What has the National Performance Review accomplished?

In the past two-and-a-half years, the National Performance Review has been responsible for a number of changes in how government addresses its basic functions. The initiative to put the customer first has resulted in a number of improvements in government service. The May 29, 1995, issue of *Business Week* reported that a survey of telephone customer service by Dalbar, Inc., put Social Security at the top of the list—ahead of Nordstrom, and L.L. Bean, and Federal Express. Immigration and Naturalization Service has changed the procedures used to process incoming passengers through customs. In fact, the improvements were so dramatic, that passengers were getting through customs before their bags had been processed by the airlines. The Veterans Administration has streamlined its hospital intake procedures from 93 questions to three.

The National Performance Review is working. In March 1995, *Newsweek* reported on a Miami company that used to file 700,000 Customs forms every year. Now it files one a month.²⁹ Robert Pear, in *The New York Times*, called it a quiet revolution.³⁰ The *Houston Sun* reported on the opening of a “general store” for small business, where businessmen and women can go to get information on what the government requires, and what it can do to help—not just for one agency, but for nearly all government agencies.³¹ *Financial World* praised President Clinton for “working behind the scenes to improve government financial controls, contract oversight, performance measurement, strategic planning, training, procurement and a host of other seemingly mundane administrative procedures that ultimately determine the success or failure of any federal program.”³²

Recommendations for Reform

These problems, large as they are, are not unsolvable. The solutions require leadership and a commitment to sound management practices.

Performance Measurement.

- Measuring performance is essential to good government and employee morale. The Administration needs to develop a set of performance measures based on results which tell managers and employees alike when they are succeeding.
- Performance measures must be based on what the customers value, not what is important to the agency.

²⁹ Joe Klien, “The Birth of Common Sense,” *Newsweek*, March 27, 1995, p. 31.

³⁰ Robert Pear, “A Welfare Revolution Hits Home, but Quietly,” *The New York Times*, August 13, 1995, p. 4–1.

³¹ Sheshe Giddens, “General Business Store Opens in Palm Center,” *Houston Sun*, July 17, 1995.

³² *Financial World*, October 24, 1994.

- Rewards, both monetary and symbolic, must be based on performance measures. The Administration should implement a system to assure that all financial rewards are based on a thorough review of result-based performance measures.

Competition.

- The Administration should develop better ways to expose government work to competition for those functions that are not inherently government in nature.

Agencies and Field Structure.

- The Administration should continue to strengthen its programs to determine which agencies are performing necessary governmental functions, and which could be eliminated or merged with other agencies.
- The Administration should pursue more vigorously the consolidation and elimination of field offices. While the work at the Department of Agriculture is exemplary, and the Houston experiment laudable, there remain in most cities too many Federal offices in too many different locations.

Management.

- The Administration should continue to reduce the number of middle managers in pursuit of an manager-to-employee ratio more in line with the private sector.
- The Administration should pursue a simplification of job classifications within the Federal government in conjunction with the development of a results and performance based promotion and rewards system.
- The Administration should vigorously pursue a management system that clearly delineates policy from service delivery. Top management (policy) should be separated from operations (service delivery). This allows policy to be developed with a clear vision towards balancing competing resources, and operations to focus on getting the job done.

Congressional Organization and Control.

- The joint House leadership, the Rules Committee and committee chairs should ensure that unnecessary legislative riders are off appropriations bills. Use of such mechanisms have often disrupted management of executive agencies, for example, by outlawing the closure of specific field offices or by setting excessive personnel ceilings in agencies. The leadership should also ensure that issues involving government management generally are properly referred to this committee and others with authority under the rules of the House.
- Chairmen of authorizing committees should also consider utilizing their authority under clause 2(b)(2) of Rule XXVIII to resist

legislative provisions in instances where the Senate may attempt to impose through the appropriations process.

CARDISS COLLINS.
CAROLYN B. MALONEY.
HENRY A. WAXMAN.
ROBERT E. WISE.
MAJOR R. OWENS.
EDOLPHUS TOWNS.
JOHN M. SPRATT, JR.
LOUISE MCINTOSH SLAUGHTER.
PAUL E. KANJORSKI.
GARY A. CONDIT.
COLLIN C. PETERSON.
THOMAS M. BARRETT.
BARBARA-ROSE COLLINS.
ELEANOR HOLMES NORTON.
JAMES P. MORAN.
GENE GREEN.
CARRIE P. MEEK.
CHAKA FATTAH.
TIM HOLDEN.

APPENDIX A—SUMMARY OF FINDINGS AND RECOMMENDATIONS

FINDINGS

The Management of the Federal Government Needs Improvement.

- The capacity of the President as the chief executive officer of the Federal Government and its principal manager has been diminished over several Administrations. The Executive Office of the President has abrogated its responsibility to oversee and improve the Government's management structure.

- The capacity available to the President in the Office of Management and Budget [OMB] to reform or improve management has steadily declined and now barely exists, despite a competent Director of OMB and a Deputy Director for Management, whose talents in this area are underutilized. Federal management organization, oversight authority, and general influence have been consistently overridden by recurring budget crises and budget cycle demands, despite conscientious intention to give "Budget" and "Management" equal voice within OMB.

- The NPR, in its ad-hoc and episodic approach to management issues, reveals the weakened state of management capacity of the Executive Office of the President.

- The NPR-inspired announcement of a reduction of over a quarter-million Federal jobs may have been warranted; however, without first having a solid empirical rationale for doing so and not knowing where or how, it reflected a lack of strategic vision as to the Federal Government's role, and as such it seriously eroded Federal workers' morale, productivity, and planning for the future.

- The capacity of the Office of Personnel Management to provide leadership to a revitalized career service has been seriously impaired.

- Short-term political appointees have layered and "thickened" the Federal Government's upper echelons of organization to a point where productivity, management, and continuity of operation have become seriously affected.

- Some potential candidates for political appointment believe that service in Federal organizations will hinder their careers, imposing a protracted and intrusive nomination process as well as numerous restrictions on financial and employment activities during and following Federal Government assignments. As a result, the pool of available talent qualified for appointment and willing to serve has been diminished.

- Qualified people considering careers in public administration are discouraged from Federal career employment by layers of political appointees of uneven quality precluding advancement to positions of senior responsibility.

- Career Federal public administrators have a long record of faithfully executing clearly established policy and rendering effective political leadership. However, political appointees as a group have tended to display more loyalty to individual political sponsors and special interests than to the President, who is elected by and ultimately accountable to the people.

- Employee-buyout programs in Federal organizations have not worked as well as intended, resulting in the loss of employees with the most marketable skills, leaving in the workforce many of the poorer performers.

- Programs for Federal-employee professional education, training and development are vital to a smaller workforce adopting modern management methods and achieving desired productivity improvements.

- The Federal Government must follow the best practices of private and public organizations for exploiting information technology in reforming management, reducing size, and raising productivity and market competitiveness. A recent General Accounting Office report provides valuable insights on how the Federal Government can lower costs, improve productivity, and provide better services to its citizens.

The Federal Intergovernmental Roles are Poorly Defined.

- Federal role has evolved in a patchwork manner. The Federal Government lacks a clear and comprehensive statement of its proper role. The result is similar redundant programs throughout disparate departments and agencies.

- Many citizens view the Federal Government as having overreached its proper role, by “meddling” in affairs such as elementary and secondary education (better left to States and communities), marketing and distribution of energy resources (better left to market forces), and applied research and development (better left to private investment and competition).

- Many State governments are willing to risk accepting large Federal block grants, with fewer dollars, in return for greater flexibility and fewer restrictions. There is some concern that any residual reporting burdens and controls from Washington may interfere with States’ roles and as such constitute an “unfunded mandate,” contrary to a law sponsored by this committee.

- In the current environment many agencies and States are trying to develop program partnerships. Federal-State program partnership agreements reached a high point during the Johnson and early Nixon Administrations. State and Federal leaders need to be aware that those intergovernmental agreements later deteriorated because roles and responsibilities were not clearly defined and accepted by all interested parties. Another cause was that the Federal Government seized a decision-making role disproportionate to the resources it provided.

Organization of Federal Functions is Uneven and Duplicative.

- No Cabinet-level department has been eliminated outright in our Nation’s history, although many have been reorganized, renamed, combined, or split.

- Today's Federal Government is even more enmeshed in red tape, replicated functions and controls than it was in 1971, when President Nixon tried unsuccessfully to organize and streamline Cabinet departments.
- The proposed "Department of Commerce Dismantling Act of 1995" contains a model for dismantling any high-level Federal organization using a transitional organization within the Office of Management and Budget.
- Approximately a million Federal employees work in some thirty thousand field offices outside of Washington. Although some field offices only have five or fewer staff, closing them has consistently proven a difficult, almost intractable political problem. The committee notes progress by the U.S. Department of Agriculture in addressing the problem.

Public Accountability is Weak.

- The National Performance Review [NPR] contributed to identifying the need to improve the Federal Government and lower its operating costs.
- By not establishing first what activities the Federal Government should be performing, the NPR was flawed from the outset and did not achieve enough progress.
- NPR neglected to place sufficient emphasis on fiscal accountability by failing to address the Federal Government's responsibility for stewardship of public resources.
- The ad-hoc, even disjointed, nature of NPR is a telling sign of the disconnect between policy and management, evidence of atrophy of the tools of management, and an admission that the President has no organized capacity to manage the executive branch.
- The NPR recommended a doubling of the existing 1-to-7 supervisory span of control to a 1-to-14 or 1-to-15 supervisor to subordinate ratio. This recommendation was without appropriate foundation and ignored the Government's widely varying missions, and threatens public accountability.
- With more Federal work being done under contract with private vendors, effective contract administration is critically important in ensuring efficiency, effectiveness, and accountability.
- The growth of "contract government" is a direct by-product of the emphasis on personnel reduction. As successive administrations have sought to limit or reduce the number of Federal employees, more and more activities have been contracted out.
- The experiences of other foreign and federal, State and local governments in carrying out significant management and accountability reforms are valuable to Federal agency managers as they implement the Government Performance and Results Act of 1993 [GPRA].
- Government corporations and other Government-sponsored enterprises have assumed roles and responsibilities very different from those for which the Government Corporation Control Act of 1945 was intended. Today, a conceptual framework is needed for setting up these kinds of enterprises and centralized oversight of their management operations.
- Executive branch accountability is made more difficult by the complex congressional budget process and by additional legislative

branch restrictions and controls placed on Government agencies, such as prohibitions on closing outdated Federal field offices.

RECOMMENDATIONS

Strengthen the President's Role as Chief Executive Officer of the Executive Branch.

- Management of the Federal Government should be a Presidential priority. Among the President's many roles is the responsibility to serve as chief executive officer or general manager of the Federal Government. Many broad initiatives intended to make the Federal Government work better depend on the commitment by the President and his staff in the Executive Office of the President. By approaching the Federal Government almost exclusively from a budget or a policy perspective, Presidents limit their capacity to reform management in the Federal Government.

- The President, acting jointly with Congress through a Federal management office, should establish intergovernmental partnerships, with clearly defined Federal and State roles and responsibilities, and allow local Federal managers the authority and flexibility needed to assist State and local officials in managing devolved programs, functions, and resources.

- To make the President's executive office more accountable to the public, Congress should establish an Office of Inspector General in the Executive Office of the President.

Establish an Office of Management.

- To enhance the President's management capability throughout the executive branch, Congress should establish in the Executive Office of the President a top-level management and organization oversight office headed by an administrator who has direct access to the President. Sustained attention to management issues beyond recurring budget crises is vital to ensure effectiveness. The new Federal management office would combine the management functions of the OMB, the residual policy and oversight functions of the Office of Personnel Management, and the policy functions from the General Services Administration into an entity separate from but equal in stature to the remaining Office of the Budget.

- The executive branch is in serious need of an office with responsibility for departmental reorganizations such as the proposed dismantling of the Department of Commerce. The current legislative initiative in that regard will be a model for managing large-scale reductions in the Federal Government's organizational structure and scope of work.

- An Office of Management could encourage the implementation of the strategic information management and technology practices increasingly common in quality private and public organizations. It could stress the need to focus a concentration of energy on technology improvements that attain goals; and assert senior management control over technology investment decisions.

- Executive agencies should exploit, publicize, and replicate successful private sector ventures in making Federal Government organizations work more effectively, drawing upon past successes.

Convene a Commission on Federal Reorganization.

- Congress should establish a blue-ribbon inquiry commission of experts from the business, academic, and nonprofit sectors and Federal, State and local government to recommend to the President and Congress in early 1997: (i) ways to organize more efficiently the functions the Federal Government performs, and (ii) changes in law that would reduce, transfer, or eliminate Federal functions. If resources permit, such a commission should produce a reorganization plan.

- Such a commission should apply the guideline criteria for agency elevation to Cabinet department status which were developed in 1988 by the National Academy of Public Administration [NAPA]. Such a review ought to result in a new alignment and grouping of the tasks and functions of the Federal role by major purpose.

- Congress should concurrently provide the President broad authority, including optional fast-track authority, to restructure executive branch departments and agencies, similar to past (and now expired) Reorganization Acts.

- Congress should be fully involved in the consolidation of the many Federal programs it enacts and funds; the proposed commission should look for additional opportunities to consolidate or combine Federal programs, and make recommendations accordingly.

- Once changes have been made in the structure of the executive branch, Congress should conform its own internal committee organization and jurisdictions to parallel the executive branch changes.

Reshape the Federal Civil Service.

- Congress should proceed with legislation that would reduce the allowable number of political appointees to an initial level of 2,000—aimed principally at Schedule C (not subject to Senate confirmation) positions—and set lower targets for future years as additional executive branch organizations are consolidated or abolished.

- Congress should appropriate the professional education, training and development funds for executive agencies, not as separate line items, but as an integral part of total personnel costs. That would afford managers the flexibility to choose between training and hiring to upgrade collective organizational skills.

- Any future Federal employee “buyout” legislation should be limited to serving the needs of the downsized Federal Government by focusing agency buyouts on those with less-needed skills, functions, and capabilities.

Strengthen Public Accountability.

- Both the President and Congress should complete the work to implement the Government Performance and Results Act, in order to make the executive branch both performance-driven and accountable. The Act’s performance measurement provisions ought to be used in all steps of the budget and management process.

- To make public accountability in the executive branch less cumbersome and counterproductive, Congress should simplify the present complex structure of 13 separate appropriations bills by combining them into a lesser number, possibly comparable to the internal budget review structure in the Office of Management and

Budget. Congress should adjust its own internal authorizing and appropriating committee structure correspondingly.

- Congress should amend the Government Corporation Control Act of 1945 to raise the efficiency and effectiveness of the Federal Government's business-type operations and organizations and to set standards consistent with today's marketplace conditions.

- In its quest to attain the objective of balancing the Federal budget by fiscal year 2002, Congress must recognize three critical needs: (i) to preserve the Federal Government's accountability to the governed throughout the transformation process; (ii) to foster that objective by making investments in human and technological development during that process; and (iii) to accept the hard lessons learned by industry that workforce strength is to be cut only *after*—not before or while—the Federal roles have been determined and organizational structures have been reduced or eliminated.

APPENDIX B—INDEX OF WITNESSES

BINGMAN, Charles F. Visiting Professor of Public Administration, The George Washington University, JUNE 13/19.

BOWSHER, Charles A. Comptroller General of the United States, General Accounting Office, MAY 2.

BREWER, Shelby T., Under Secretary of Energy, (Reagan) MAY 23.

BROWNBACK, Representative Sam, (Kansas), MAY 16.

BURKE, William, Great Lakes Regional Administrator, General Services Administration and Chair, Chicago Federal Executive Board, JUNE 13/19.

CHATEL, Mary Barrett, President, National Council of Social Security Management Associations, JUNE 13/19.

CHATER, Shirley Sears. Acting Commissioner, Social Security Administration, JUNE 13/19.

CHRYSLER, Representative Dick, (Michigan), MAY 16.

CRAIG, Colonel Richard. North Central Division Engineer, U.S. Army Corps of Engineers, Department of Defense, JUNE 13/19.

DALE, Tony. Harkness Fellow, The Commonwealth Fund of New York and Budget Manager of the New Zealand Treasury, MAY 2.

DEAN, Alan L. Senior Fellow, National Academy of Public Administration, Assistant Secretary of Transportation (former), and coordinator of President Nixon's plan for departmental reorganization, MAY 9, JUNE 13/19.

DODARO, Gene L. Assistant Comptroller General, Accounting and Information Management Division, General Accounting Office, MAY 9.

FINCH, Johnny C. Assistant Comptroller General, General Government Programs, General Accounting Office, MAY 9, JUNE 20, JUNE 27.

FINN, Chester E., Jr. (Reagan) Assistant Secretary of Education, John Olin Fellow, The Hudson Institute, MAY 23.

FITZPATRICK, Donna R. Under Secretary of Energy (Bush), MAY 23.

FLANAGAN, Daniel V., Jr. President, Flanagan Consulting Group, JUNE 6.

FOSLER, R. Scott. President, National Academy of Public Administration, MAY 2, JUNE 27.

FRANKLIN, Garrome. Regional Administrator, Federal Aviation Administration, JUNE 13/19.

GISMONDI, Donald. Regional Administrator, Federal Transit Administration, JUNE 13/19.

GLYNN, Hon. Thomas P. Deputy Secretary of Labor, MAY 9.

GORDON, D. Lynn. Miami District Director, U.S. Customs Service, Department of the Treasury, JUNE 13/19.

HANSEN, William D. Assistant Secretary of Education for Management and Chief Financial Officer (Bush), and Executive Director, Education Finance Council, MAY 9, MAY 23.

HATRY, Harry P. Director, State and Local Government Research Programs, Urban Institute, JUNE 20.

HENN, Vice Admiral A.E. (Gene). Vice Commandant, U.S. Coast Guard, Department of Transportation, JUNE 27.

HERRINGTON, John S. Secretary of Energy (Reagan), MAY 23.

HODEL, Donald P. Secretary of Energy (Reagan), MAY 23.

HODGE, Scott A. Grover M. Hermann Fellow in Federal Budgetary Affairs, The Heritage Foundation, MAY 16.

HUERTA, Michael P. Associate Deputy Secretary of Transportation and Director, Office of Intermodalism, Department of Transportation, JUNE 13/19.

INK, Dwight A. President Emeritus, Institute of Public Administration, and former Assistant Director for Management, Bureau of the Budget and Office of Management and Budget, MAY 2, JUNE 13/19.

JASPER, Herbert N. Senior Associate, McManis Associates, MAY 2, MAY 16, JUNE 20.

JOHNSON, Jack. President, Professional Airways Systems Specialists, JUNE 6.

JOHNSON, Roger W. Administrator of General Services, JUNE 6.

KEHOE, Joseph G. Managing Partner, Government Services, Coopers and Lybrand LLP, JUNE 20.

KETTLE, Donald F. Nonresident Senior Fellow, Center for Public Management, The Brookings Institution, and professor at the University of Wisconsin, Madison, MAY 2, JUNE 20.

KOHL, Linda. Director of Minnesota Planning, JUNE 20.

KOSKINEN, John A. Deputy Director for Management, Office of Management and Budget, MAY 2, JUNE 27.

KRASNER, Barry. President, National Air Traffic Controllers Association, JUNE 6.

LIGHT, Paul C. Director, Public Policy Programs, The Pew Charitable Trusts, JUNE 27.

LONGMIRE, Laura. National Director, Benchmarking, KPMG Peat Marwick LLP, JUNE 20.

MAJKUT, Paul. General Counsel, Bonneville Power Administration, JUNE 6.

MORGAN, Sheron K. North Carolina Office of State Planning, JUNE 20.

MORRIS, Joseph A. General Counsel, Office of Personnel Management (former), JUNE 13/19.

MOSBACHER, Robert A. Secretary of Commerce (Bush), MAY 16.

MUNOZ, George. Assistant Secretary of the Treasury for Management and Chief Financial Officer, Department of the Treasury, MAY 9, MAY 23.

O'LEARY, Hazel R. Secretary of Energy, MAY 16/23.

PERRET, Kenneth A. Regional Administrator, Federal Highway Administration, JUNE 13/19.

POSNER, Paul. Director, Budget Issues, Accounting and Information Management Division, General Accounting Office, MAY 23.

RIVLIN, Alice M. Director, Office of Management and Budget, MAY 2.

ROBERTSON, Jack. Deputy Administrator, Bonneville Power Administration, JUNE 6.

RODRIGUEZ, George. Houston Area Coordinator, Department of Housing and Urban Development, JUNE 13/19.

RUMSFELD, Donald H. Secretary of Defense (Ford) and chief executive officer of General Instruments Corporation, JUNE 6.

SCHUSTER, Gretchen. Chicago Regional Director, Passport Agency, Department of State, and a Federal Executive Board member, JUNE 13/19.

SEIDMAN, Harold. (former) Assistant Director of the Budget, Senior Fellow, National Academy of Public Administration, JUNE 6.

SMITH, Marshall S. Under Secretary of Education, MAY 23.

SPERRY, Roger L. Director of Management Studies, National Academy of Public Administration, MAY 9.

TAYLOR, Jerry. Director, Natural Resources Studies, Cato Institute, MAY 16.

THOMPSON, Joseph. New York Regional Director, Department of Veterans Affairs, JUNE 27.

TIAHRT, Representative Todd. (Kansas), MAY 16.

TOWNSEND, Wardell C., Jr. Assistant Secretary of Agriculture for Administration, JUNE 13/19.

WALKER, Representative Robert S. (Pennsylvania), Chairman of the Committee on Science, MAY 16.

WARD, Col. F. Edward, Jr. Director of Field Offices, Defense Finance and Accounting Service, Department of Defense, JUNE 27.

WATKINS, Admiral James D. Secretary of Energy (Bush), MAY 23.

WILLIAMS, Anthony A. Chief Financial Officer, Department of Agriculture, JUNE 27.

WURTZ, Donald. Chief Financial Officer, Department of Education, MAY 23.

WYSE, Duncan. Executive Director, Oregon Benchmarking Project, MAY 2.